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November 30, 2018

VIA ELECTRONIC FILING (Public Version) AND
VIA HAND-DELIVERY (Confidential Version)

The Honorable Jocelyn G. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's
Application for Approval of Updated Standard Offer Avoided Cost Rates
and Tariffs
Docket Number 1995-1192-E

Dear Ms. Boyd:

Enclosed for filing please find the application of Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP," and together with DEC, the "Companies") for approval DEC's and DEP's updated Schedule PP tariffs, including revised Terms and Conditions and the standard purchased power agreement in support of Schedule PP.

Due to the commercial sensitivity and proprietary nature of the information contained in DEC Exhibit 3 and DEP Exhibit 3, the Companies respectfully request that pursuant to S.C. Code Ann. § 30-4-40(a), the Commission find that these exhibits are exempt from disclosure under the Freedom of Information Act, S.C. Code Ann. §§ 30-4-10 *et seq.* and 10 S.C. Code Ann. Regs. § 103-804(S)(1). The Companies respectfully request that DEC Exhibit 3 and DEP Exhibit 3 be accepted by the Commission under seal and maintained as confidential pursuant to Order No. 2005-226.

Additionally, in consultation with the Office of Regulatory Staff, the Companies have proposed a procedural schedule for the Commission's consideration in Section IV of the Application.

Should you have any questions regarding this matter, please do not hesitate to contact me at 803.988.7130.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rebecca Dulin". The signature is fluid and cursive, with the first name "Rebecca" and the last name "Dulin" clearly distinguishable.

Rebecca J. Dulin

Enclosure

cc w/enc: Parties of Record

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
UTILITIES COMMISSION**

DOCKET NO. 1995-1192-E

In the Matter of:

Proceeding for Approval of the Public
Utility Regulatory Policies Act of 1978
(PURPA) Avoided Cost Rates for
Electric Companies

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CERTIFICATE OF SERVICE

The undersigned, Rebecca J. Dulin, Esquire, does hereby certify that she has served the persons listed below with a copy of the **APPLICATION OF DUKE ENERGY CAROLINAS, LLC AND DUKE ENERGY PROGRESS, LLC FOR APPROVAL OF UPDATED STANDARD OFFER AVOIDED COST RATES AND TARIFFS** in the above-captioned proceeding by dispatching a copy to them via U.S. Mail or electronic mail at the addresses listed below on November 30, 2018.

PARTIES SERVED:

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*Attorney for Duke Energy Carolinas, LLC
And Duke Energy Progress, LLC*

**BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 1995-1192-E

In the Matter of:)	
)	APPLICATION OF DUKE ENERGY
Proceeding for Approval of the Public)	CAROLINAS, LLC AND DUKE
Utility Regulatory Policies Act of 1978)	ENERGY PROGRESS, LLC FOR
(PURPA) Avoided Cost Rates for)	APPROVAL OF UPDATED
Electric Companies)	STANDARD OFFER AVOIDED
)	COST RATES AND TARIFFS

Pursuant to S.C. Code Ann. § 58-3-140 and 26 S.C. Code Ann. Regs. 103-303 and 103-823 and other applicable rules and regulations of the Public Service Commission of South Carolina (“Commission”), Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP” and, together with DEC, the “Companies”), by and through counsel, hereby petition the Commission for approval of DEC’s and DEP’s updated Schedule PP tariffs (“Schedule PP”), including revised Terms and Conditions and the standard purchased power agreement (“PPA”) in support of Schedule PP. This Application, together with the exhibits included herewith, presents the Companies’ updated avoided cost rates that are being made available to all qualifying cogenerators and small power production facilities (“QFs”) that meet the eligibility requirements set forth in DEC’s and DEP’s respective Schedule PP and commit to sell their output to DEC or DEP on or after the date of this filing. The Companies’ Schedule PP avoided cost rates and terms presented herein have been designed to meet the requirements of Section 210 of the Public Utility Regulatory Policies Act of 1978 (“PURPA”) and the Federal Energy Regulatory Commission’s (“FERC”) regulations implementing those provisions, as well as prior orders issued by this Commission implementing PURPA.

Through this Application, DEC and DEP are seeking Commission approval to update the Companies’ respective avoided cost calculations to ensure the rates paid to QFs by the Companies’ customers remain just and reasonable for the Companies’ customers and comply with PURPA’s avoided cost standards by accurately reflecting the Companies’ future capacity and energy costs that can be avoided through QF purchases. The Companies’ updated avoided cost rates recognize each utility’s most current integrated resource planning determination of future capacity needs, and take into account the recent, significant declines in the forecasted cost

of energy due to declining natural gas prices. Schedule PP will continue to be available to QFs up to 2 megawatts (“MW”) in size, and will continue to offer the previously-available variable, 5-year, and 10-year term options.

Schedule PP has been modified to incorporate updated energy and capacity rate designs that better recognize the differing value of QF capacity and energy during on-peak and off-peak periods during each day and throughout the year. The Companies have also included an integration services charge specific to solar QFs to recognize the increasing cost to operate the Companies’ dispatchable generating fleets as growing levels of variable and non-dispatchable solar capacity are added to the DEC and DEP systems. Finally, the Companies are updating the Terms and Conditions applicable to QFs selling power under Schedule PP to (i) make clear the Companies’ right to curtail QF energy output and discontinue purchases from QFs in imminent “emergency conditions,” specifically including where curtailment is necessary to ensure compliance with mandatory North American Electric Reliability Corporation (“NERC”) and SERC Reliability Corporation (“SERC”) standards; and (ii) ensure customers are not disadvantaged by QF developers potentially seeking to circumvent the Schedule PP eligibility requirements or to modify their operating QF generating facility in order to sell greater output at older standard offer rates in excess of the Companies’ current avoided costs.

Due to the commercial sensitivity and proprietary nature of certain information being filed in support of this Application, the Companies respectfully request that the Commission find that pursuant to S.C. Code Ann. § 30-4-40(a), DEC Exhibit 3 and DEP Exhibit 3 are exempt from disclosure under the Freedom of Information Act, S.C. Code Ann. §§ 30-4-10 *et seq.* and 10 S.C. Code Ann. Regs. § 103-804(S)(1). The information contained in DEC Exhibit 3 and DEP Exhibit 3 reflects the Companies’ costs to procure additional energy and/or capacity. The

wholesale electricity market is extremely competitive, and in order for the Companies to obtain the most cost-effective energy and capacity to meet the needs of their customers, they must protect from public disclosure their projected and actual cost to procure such energy, capacity, or both. In addition, if this information was publicly available, potential suppliers would know the price against which they must bid, and rather than bidding the lowest price possible, they would simply bid a price low enough to beat the Companies' projections.

Accordingly, the Companies are filing the confidential version of DEC Exhibit 3 and DEP Exhibit 3 to the Application under seal and respectfully request that the Commission maintain this information as confidential pursuant to Order No. 2005-226, "Order Requiring Designation of Confidential Materials." Enclosed with this Application is a redacted version of the Application that protects the Companies' commercially sensitive and proprietary information being filed under seal. Additionally, the Companies are hand delivering to the Commission and Office of Regulatory Staff ("ORS") copies of the confidential version of these exhibits.

In support of the Companies' Application, DEC and DEP respectfully show unto the Commission the following:

1. The Companies' general offices are at 550 South Tryon Street, Charlotte, North Carolina, and their mailing address is:

Duke Energy Progress, LLC
410 South Wilmington Street
Raleigh, North Carolina 27601-1849

Duke Energy Carolinas, LLC
PO Box 1321 (DEC 45A)
Charlotte, North Carolina 28201-1006

2. Legal counsel for the Companies in this proceeding are as follows:

Rebecca Dulin
 Duke Energy Corporation
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 Telephone: 803.988.7130
 E-mail: rebecca.dulin@duke-energy.com

and

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 E-mail: fellerbe@robinsongray.com

and

E. Brett Breitschwerdt¹
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 434 Fayetteville Street, Suite 2600
 PO Box 27507 (27611)
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 Telephone: 919.755.6563
 Email: bbreitschwerdt@mcguirewoods.com

3. Copies of all pleadings, testimony, orders, and correspondence in this proceeding should be served upon the attorneys listed above.

I. INTRODUCTION AND BACKGROUND ON PURPA STANDARD OFFER TARIFF

a. PURPA's Must Purchase Obligation and the Standard Offer Requirements

4. Pursuant to Sections 201 and 210 of PURPA, electric utilities such as DEC and DEP are required to offer to purchase electric energy from qualifying cogeneration and small

¹ Mr. Breitschwerdt is not admitted to practice in South Carolina and is seeking authorization to appear *pro hac vice* before the Commission in this proceeding.

power production facilities or QFs.² PURPA requires that the rates electric utilities pay to purchase QF energy shall not exceed the electric utilities' "avoided costs," which PURPA defines as the cost to the electric utility of the electric energy, which, but for the purchase from such QFs, such utility would generate or purchase from another source.³ In addition to the requirement that such rates not be more than the electric utility's avoided costs, PURPA also requires that the rates for purchases of QF power be set at levels and in a manner that is just and reasonable to the utility's customers, in the public interest, and nondiscriminatory towards QFs.⁴

5. In enacting PURPA, Congress directed FERC to prescribe regulations to encourage the development of QFs under PURPA, and delegated to State Commissions and non-regulated public utilities the responsibility of implementing FERC's regulations, including PURPA's "must purchase" obligation.⁵ FERC specifically established regulations relating to electric utilities' obligations to purchase power from, sell power to, and interconnect with QFs, as well as regulations establishing a general framework for setting the rates for purchase at the utility's avoided cost.⁶

6. In establishing regulations to implement PURPA, FERC's 1980 rulemaking order, Order No. 69, recognized that smaller QFs could be challenged by the transactional costs of bilaterally negotiating individualized rates with electric utilities, and required States implementing PURPA to make standard rates and terms available to QFs that are 100 kilowatts

² See 16 U.S.C. § 824a-3(a).

³ 16 U.S.C. § 824a-3(b), (d).

⁴ 16 U.S.C. § 824a-3(b)(1); (2).

⁵ See 16 U.S.C. § 824a-3(f); see also *FERC v. Mississippi*, 456 U.S. 742, 750-51, 102 S.Ct. 2126 (1982).

⁶ See 18 C.F.R. § 292.101(b)(6); 18 C.F.R. § 292.303; 18 § C.F.R. 292.304.

(“kW”) and smaller.⁷ FERC’s regulations also provide that States “may” put into effect standard rates for purchases for QFs larger than 100 kW, explaining “that the establishment of standard rates for purchases can significantly encourage cogeneration and small power production, provided that these standard rates *accurately reflect the costs* that the utility can avoid as a result of such purchases.”⁸ Thus, in setting the mandatory purchase obligation requirements under its regulations, FERC mandated that standard avoided cost rates should be made available to small QF generators of 100 kW or less, while leaving it to the implementing State Commission to determine whether to set standardized avoided cost rates for QF generators sized greater than 100 kW.

7. States may comply with FERC’s regulations and Congress’ direction to implement the PURPA purchase obligation “by issuing regulations, by resolving disputes on a case-by-case basis, or by taking any other action reasonably designed to give effect to FERC’s rules.”⁹ Importantly, FERC has also recognized that states have flexibility in implementing PURPA’s “must purchase” requirements, so long as the State’s implementation is reasonably consistent with PURPA and FERC’s implementing regulations.¹⁰ This is because the States are best suited to consider and balance PURPA’s goals with the “economic and regulatory circumstances [that] vary from State to State and utility to utility.”¹¹

⁷ See *Final Rule Regarding the Implementation of Section 210 of the Public Utility Regulatory Policies Act of 1978*, Order No. 69, at 12,223, FERC Stats. & Regs. ¶ 30,128 (1980) (“Order No. 69”); 18 C.F.R. § 292.304(c).

⁸ Order No. 69, at 12,223 (emphasis in the original).

⁹ See 456 U.S. at 751,102 S.Ct. 2126. See also *Policy Statement Regarding Comm’n’s Enforcement Role Under Sec. 210 of the Public Utility Regulatory Policies Act of 1978*, 23 FERC ¶ 61,304, 61,644 (1983).

¹⁰ See Order No. 69, at 12,232.

¹¹ Order No. 69, at 12,231.

8. Since the 1980s, this Commission has implemented PURPA by overseeing and approving DEC's and DEP's standard offer tariffs, while allowing the Companies and larger QFs to negotiate purchased power contracts at the Companies' avoided costs. Specifically, in Order No. 81-214,¹² the Commission approved Duke Power Company's (now DEC) and Carolina Power & Light's (now DEP) standard offer tariffs establishing standard rates, terms, and conditions to be offered to QF projects up to 5 MW in size for a term of 5 years.¹³ The Commission also recognized utilities and larger QFs could negotiate contracts, pursuant to the full avoided cost standard established by FERC's PURPA regulations.¹⁴

9. DEC and DEP both retained the 5-year standard offer term and short-term variable rate structures available to QFs up to 5 MW from 1981 until the Commission's most recent approval of the Companies' respective Schedule PP tariffs in 2016.

b. The Companies' pre-existing Schedule PP standard offer tariffs have significantly encouraged solar QF development since 2016

10. The Companies' pre-existing Schedule PP and corresponding Terms and Conditions were approved by the Commission in Order No. 2016-349, issued in May 2016, and became effective June 1, 2016. In that proceeding, the Commission approved the Companies' Schedule PP and fixed the Companies' avoided costs rates based upon the avoided energy and capacity calculations that had most recently been reviewed and approved by the North Carolina Utilities Commission ("NCUC") in NCUC Docket No. E-100, Sub 140.¹⁵ Additionally, the

¹² *In re: Small Power Production and Cogeneration Facilities – Implementation of Section 210 of the Public Utility Regulatory Policies Act of 1978*, Order No. 81-214 (Mar. 20, 1981) ("Order No. 81-214").

¹³ See Order No. 81-214, at 8.

¹⁴ See Order No. 81-214, at 9, 20.

¹⁵ *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*, NCUC Docket No. E-100, Sub 140 (Dec. 31, 2015) ("NC Sub 140 Standard Offer Rate Order").

Commission approved the eligibility for Schedule PP that became effective June 1, 2016, at 2 MW or less, and provided that those eligible QFs should be offered variable, 5-year, and 10-year contract term options.¹⁶

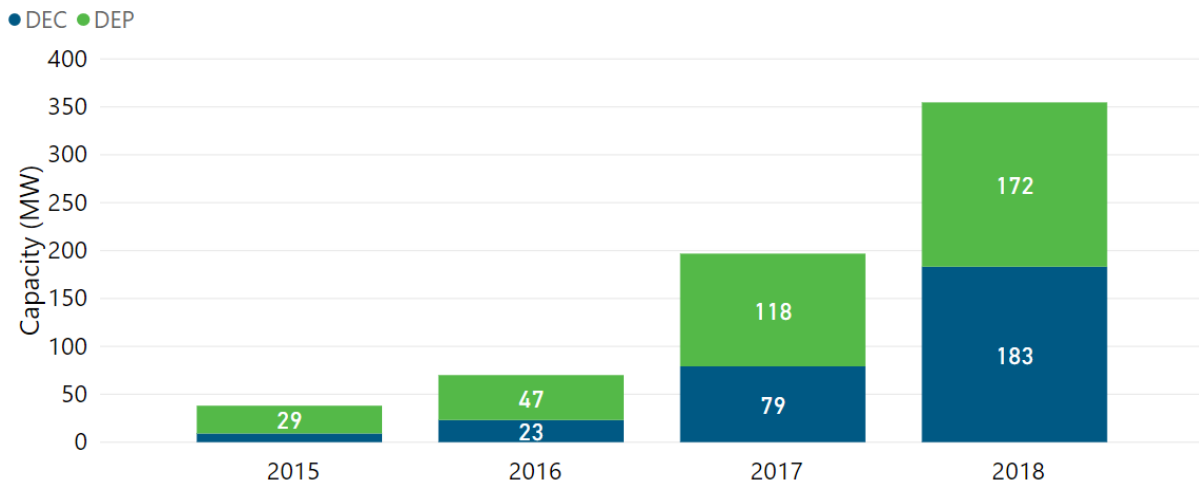
11. The Schedule PP avoided cost rates approved by the Commission in 2016 were in effect for approximately two and one-half years. During this period, the Companies experienced unprecedented solar QF development in their service territories across South Carolina. Approximately 155 solar QF projects totaling approximately 305 MW established legally enforceable commitments to sell their output to DEC and DEP under the pre-existing Schedule PP rates during this period. Of these QF projects, 22 projects comprising approximately 44 MW are now under construction and anticipate delivering power later in 2018 or in 2019. Notably, this recent surging QF development under the pre-existing Schedule PP standard offer tariff has been “solar only” and has not reflected more diversified development of other QF technologies that are also eligible for Schedule PP. This recent QF development has also nearly all occurred precisely at 2.0 MW, with 152 of the total 155 projects being developed between 1.90 MW and 2 MW.

Figure 1 presents year-to-year aggregate growth in QF development within DEC and DEP for those QFs sized 2 MW and below (and therefore eligible for Schedule PP).

¹⁶ In prior settlements related to DEC’s and DEP’s Distributed Energy Resource Programs, DEC and DEP both agreed to modify their respective standard offer tariffs to adjust the eligibility for the standard offer from 5 MW to 2 MW and to extend the 5-year term to a 10-year term. The Commission approved both settlements. *Order Addressing Distributed Energy Resource Program and Approving Settlement Agreement*, Order No. 2015-514, Docket No. 2015-53-E (July 15, 2015); *Order Addressing Distributed Energy Resource Program and Approving Settlement Agreement*, Order No. 2015-515, Docket No. 2015-55-E (July 15, 2015).

Figure 1¹⁷**SC Standard Offer Interconnection Requests for QFs <= 2 MW**

Cumulative Capacity As of October 31, 2018



12. The recent surging growth of solar QFs committing to sell their output under the Companies' pre-existing Schedule PP far exceeds DEC's and DEP's utility-scale Act 236 goals¹⁸ and shows that the Companies' current avoided cost framework has significantly encouraged QF growth under PURPA in South Carolina. Compared to other states in the Southeast, only North Carolina has implemented PURPA policies that have fostered such significant "solar only" QF development in such a short period of time.¹⁹ However, due to concerns of customer

¹⁷ Figure 1 identifies the total capacity of all projects sized 2 MW and below that submitted Interconnection Requests through October 31, 2018. Some of these projects have not legally committed to sell power to the Companies under Schedule PP and therefore are not included in the 305 MW described in Paragraph 11 as establishing legally enforceable commitments.

¹⁸ Act 236 requires DEC and DEP to develop by 2021, renewable energy facilities located in South Carolina greater than 1 MW but no greater than 10 MW in an aggregated amount of installed nameplate generation capacity equal to one percent of the previous five-year average of the electrical utility's South Carolina retail peak demand, which equates to approximately 40 MW for DEC and 13 MW for DEP. S.C. Code Ann. § 58-39-130(C)(1); *Order Addressing Distributed Energy Resource Program and Approving Settlement Agreement*, Order No. 2015-514, Docket No. 2015-53-E (July 15, 2015); *Order Addressing Distributed Energy Resource Program and Approving Settlement Agreement*, Order No. 2015-515, Docket No. 2015-55-E (July 15, 2015).

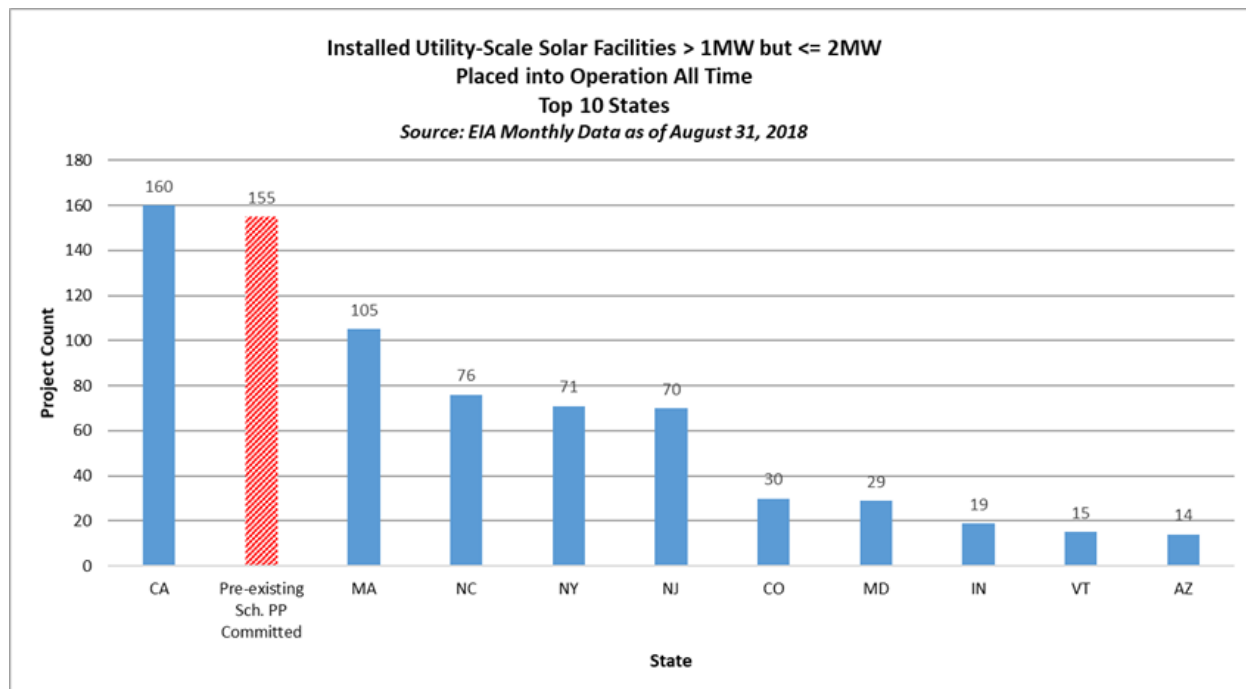
¹⁹ The United States Energy Information Administration published a report in 2016 identifying that North Carolina was leading all 50 states, including California, in PURPA-supported utility-scale solar installed capacity. *See* U.S. Energy

overpayment for QF power, North Carolina recently significantly scaled back its PURPA implementation framework in 2017, reducing the Companies' North Carolina standard offer eligibility from 5 MW to 1 MW and reducing the standard offer PPA term from 15 years to 10 years.²⁰

13. Assuming the QF projects that have committed to sell their output under the pre-existing Schedule PP complete development and begin delivering power, the Companies' South Carolina service territories have the potential to rapidly become a unique national leader in terms of installed 2 MW QF solar generators, which is the maximum size eligible for Schedule PP. Figure 2 presents current United States Energy Information Administration ("EIA") data showing the top 10 states for installed solar generators between 1.0 MW and 2.0 MW. Once the 22 solar QF projects currently under construction are installed, South Carolina will very likely move into the top 10 ranking for installed solar generation in this size category in 2019. Even more significantly, Figure 2 shows that if all 155 solar QFs that have committed to sell their output under the pre-existing Schedule PP rates come online over the next few years, the number of installed South Carolina QF solar generators sized between 1 and 2 MW would rank South Carolina second only to California (160 installed as of August 31, 2018) when compared to the amount of installed utility-scale solar generation in this size category across the country today. Further, such development would double the number of projects sized between 1 and 2 MW installed in North Carolina today (76 installed as of August 31, 2018).

Information Administration, North Carolina has more PURPA-qualifying solar facilities than any other state, (Aug. 23, 2016), accessible at <http://www.eia.gov/todayinenergy/detail.php?id=27632>.

²⁰ See North Carolina Session Law 2017-192, Part I (amending North Carolina's PURPA standard implementation framework set forth in N.C. Gen. Stat. § 62-156(b) to a 1 MW standard offer up to 10-year term); *see also Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*, NCUC Docket No. E-100, Sub 148 (Oct. 11, 2017) (implementing North Carolina Session Law 2017-192 or "HB 589" and updating DEC's and DEP's standard offer framework in North Carolina).

Figure 2

14. The Companies' experience has been that this unique and unparalleled growth of solar QF generators specifically at or just below 2 MW has been driven by the Schedule PP standard offer that has been in place since 2016.

II. OVERVIEW OF UPDATED SCHEDULE PP TARIFF, TERMS AND CONDITIONS, AND PPA

15. Through this Application, DEC and DEP are filing updated Schedule PP tariffs to more accurately reflect the Companies' avoided costs and to recognize DEC's and DEP's most current integrated resource planning needs for capacity and up-to-date forecasts of their future cost of energy over time. Consistent with the terms of pre-existing Schedule PP, the new Schedule PP and supporting Terms and Conditions are applicable to all future QFs that establish

a legally enforceable obligation (“LEO”) committing to sell the output of their QF generating facility to DEC or DEP on or after the date of this filing.²¹

16. Consistent with PURPA’s directive that avoided cost rates for purchases from QFs shall be just and reasonable to the Companies’ customers and in the public interest, the Companies also believe it is important to recognize that surging solar QF growth is creating an increasingly significant financial obligation for the Companies’ customers. The long-term financial obligation associated with the over 155 solar QFs (totaling over 300 MW) committing to sell their output under the pre-existing Schedule PP is projected to total approximately \$320 million over the next 10-12 years depending on when these QFs become operational.

17. In addition to the growing financial obligations associated with the significant solar QF development that has occurred on the Companies’ systems since 2016, the Companies have also begun to experience increasing operational challenges and cost impacts associated with the growing levels of variable, non-dispatchable utility-scale QF solar that continues to be installed in the Companies’ service territories in South Carolina and North Carolina.

a. Schedule PP Standard Offer Eligibility

18. The new Schedule PP retains the pre-existing Schedule PP size eligibility for QFs up to 2 MW that has significantly encouraged QF development in South Carolina since 2016. The new Schedule PP also continues to provide eligible QFs with variable, 5-year, and 10-year fixed term options.

²¹ See Schedule PP at 1 (describing in Paragraph 3 of the “Availability” section that the “Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next avoided cost proceeding” and that the Companies’ filed rates will be “subject to adjustment if different rates are approved by the [Commission]”).

b. Application of Peaker Methodology to Calculate Avoided Energy and Capacity Rates

19. The Companies have each developed their avoided capacity and energy costs using the “peaker methodology” as a reasonable and appropriate method for deriving DEC’s and DEP’s forecasted avoided costs. The Companies have consistently used the peaker methodology to calculate their avoided costs in a number of prior avoided cost proceedings before this Commission.

20. The peaker methodology is generally accepted throughout the electric industry to calculate avoided costs based upon the installed fixed cost of a peaker (*i.e.*, a combustion turbine), plus the marginal running costs of the system (*i.e.*, the highest marginal cost in each hour). Applying the peaker methodology, the cost of peaking capacity is utilized as the cost basis to calculate the avoided capacity rate. The avoided energy rates are calculated by simulating DEC’s and DEP’s respective system operations once with, and once without, 100 MW of “no cost generation” in each hour, and then comparing the two simulations. The marginal energy savings associated with the 100 MW of no-cost generation is used to determine the avoided energy rates under the peaker methodology.

c. Avoided Capacity Calculation

21. In quantifying DEC’s and DEP’s future avoidable capacity under the peaker methodology, the Companies have recognized their first avoidable capacity need in the year that each utility’s most recent Integrated Resource Plan (“IRP”) next demonstrates an avoidable capacity need.²² Pursuant to the Companies’ 2018 IRPs, DEC’s next avoidable capacity need is

²² Duke Energy Carolinas, LLC 2018 Integrated Resource Plan, Docket No. 2018-10-E (filed Aug. 31, 2018) (“DEC 2018 IRP”); Duke Energy Progress, LLC 2018 Integrated Resource Plan, Docket No. 2018-8-E (filed Nov. 1, 2018) (“DEP 2018 IRP”).

a planned 460 MW (winter rating) of combustion turbine capacity in 2028, while DEP's next avoidable capacity need is a planned 30 MW short-term market capacity purchase in 2020.²³

22. This determination of future need for new capacity resources specifically recognizes the limited capacity value provided by solar QFs. DEC's and DEP's 2018 IRPs studied the reliability contribution of solar resources in the capacity planning process and more precisely recognized the capacity value associated with incremental, non-dispatchable solar capacity additions to the Companies' systems. Because solar output correlates more closely to summer peak demands that occur in the afternoon hours versus winter peak demands that occur in early morning hours, the resulting winter capacity contribution values for solar are significantly reduced. In addition to providing only very limited capacity value in the winter, the 2018 IRPs also recognized that as solar penetration increases, the capacity value of incremental solar additions also decreases further since the potential for firm load shed events is shifted even further into hours when there is less solar output.²⁴

23. DEC and DEP have each calculated their respective avoided capacity cost based on the cost of a simple cycle combustion turbine ("CT") unit. The Companies have also included a 1.05 performance adjustment factor ("PAF") in the avoided capacity calculation as an adjustment for the reliability equivalence of the Companies' total generation fleet. This multiplier increases the avoided capacity rate, allowing the QF to receive full capacity value if its forced outage rate is equivalent to that of the Companies' overall generation fleets.

²³ See DEC 2018 IRP, at 70, DEP 2018 IRP, at 72.

²⁴ See DEC 2018 IRP, Chapter 9, at 43-46 and DEP 2018 IRP, Chapter 9, at 44-47.

d. Avoided Energy Calculation

24. Avoided energy costs represent an estimate of the variable costs that are avoided and would have otherwise been incurred by the utility but for the purchase from a QF. Avoided energy costs, which are expressed in dollars per megawatt-hour (“\$/MWh”), include items such as avoided fuel and avoided variable operating and maintenance (“VOM”) expenses. The peaker methodology credits the QF for avoiding energy (more specifically, fuel and VOM costs) from the most expensive unit required to serve load in any given hour, which is often referred to as the marginal unit.

25. To calculate DEC’s and DEP’s system marginal energy costs, the Companies have relied upon the PROSYM generation production cost modeling platform to derive the forecasted energy costs that a QF could avoid. The Companies have also used the same commodity price forecast methodology and VOM input assumptions that were used in developing the Companies’ recently-filed 2018 IRPs.

26. The Companies’ future, forecasted avoided energy costs over the fixed 5-year and 10-year terms of the standard offer purchase obligation are largely driven by future commodity prices and, specifically, the future cost of natural gas. The Companies’ 2018 IRPs and 10-year avoided energy cost calculations rely upon forward market price data for the 10-year period (2019-2028).

27. Natural gas commodity prices are a significant input into the avoided energy rate calculation. Just as the Companies’ customers have benefited from recent significant declines in the future price of natural gas, these declining gas prices have also caused a significant reduction in the Companies’ avoided energy costs. For example, the 10-year avoided energy rates presented in this filing reflect an approximately 40% reduction in the 10-year forecasted natural

gas prices when compared to the 10-year natural gas pricing used in the rates approved by the Commission in 2016.

28. The Companies' avoided energy cost calculations continue to recognize distribution-connected QF generation's avoidance of transmission system line losses, and therefore, the Schedule PP rates continue to include avoided energy and capacity credits that vary depending on whether the QF is interconnected with and delivering energy to the transmission or distribution system.

e. Schedule PP Energy and Capacity Credit Rate Design

29. The Companies' Schedule PP pays QFs on a volumetric basis, meaning that both avoided energy and capacity is paid on a \$/MWh basis to align the payment with actual generation performance during the entire month versus a separate fixed \$/MW payment for capacity during a specific peak hour. The rates are designed to credit QFs for avoided energy supplied during designated on-peak and off-peak hours. Energy credits are applicable to all QF energy supplied during the year and vary for the designated on-peak and off-peak hours in a day. Capacity credits are applicable to all QF energy supplied during the designated capacity payment hours.

30. Due to the recent surging solar QF growth experienced in the Companies' service territories over the past few years, the Companies have evaluated the continued appropriateness of the pre-existing rate design and determined that structural changes to both the avoided energy and avoided capacity components are needed to align with cost causation and to send more appropriate price signals to QFs. Specific to avoided energy, the Companies' recent experience as significant solar generation has been installed on the Companies' systems is that a solar profile is not coincident with peak load, and, therefore, lacks coincidence with the Companies'

highest marginal cost hours in both winter and summer. As a result, under the pre-existing rate structure, QFs were over-credited for energy during the on-peak hours. Additionally, the Companies determined that the capacity rate paid to solar QFs under the pre-existing Schedule PP should be revised to better align with the amount of avoided capacity that the solar QF generators will provide because solar QFs are intermittent, non-dispatchable, and not capable of following customer load.

31. To address these concerns, the Companies have developed more granular avoided energy and avoided capacity rate designs that better recognize the hourly value of QF energy and capacity to DEC and DEP. This new rate design provides improved price signals to more appropriately pay QFs for the value they provide.

32. The new Schedule PP avoided energy rate design designates five distinct energy pricing periods to better recognize each utility's discrete production costs throughout the day, as well as differences in summer and non-summer peak periods. The structure provides more granularity than the pre-existing Schedule PP rate design, which only offered broad, on-peak and off-peak pricing. The new Schedule PP rate design more appropriately compensates QFs for the avoided energy value they create for customers. The five energy pricing periods and their respective prices are shown on Figure 3 and are further defined in Schedule PP.

Figure 3²⁵

Filed Energy Rates																									
Independent Energy Price Blocks		1. Summer On				2. Non-Summer On (am)				3. Non-Summer On (pm)				4. Summer Off				5. Non-Summer Off							
Company		DEC	DEP			DEC	DEP			DEC	DEP			DEC	DEP			DEC	DEP			DEC	DEP		
Rate (cents/KWH)		4.00	3.31			4.31	3.78			3.87	3.40			2.64	2.71			2.66	2.49						
DEC	Hour	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Summer (May - Sep)		Off												On										Off	
Non-Summer (Oct - Apr)		Off					On (am)					Off					On (pm)					Off			
DEP	Hour	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Summer (May - Sep)		Off												On											
Non-Summer (Oct - Apr)		Off					On (am)					Off					On (pm)								
Prior Energy Rates																									
Independent Energy Price Blocks		1. On										2. Off													
Company		DEC										DEP													
Rate (cents/KWH)		5.04										4.71													
DEC / DEP	Hour	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Summer (Jun - Sep)		Off												On										Off	
Non-Summer (Oct - May)		Off					On										Off								

Each of the five pricing periods has its own independent price (called a “price block”) to better reflect the value of QF energy during the different periods. The on-peak pricing periods were selected because they represent hours with above-average “net load” requirements, which coincide with Companies’ higher marginal energy costs during these periods. The five pricing periods also vary slightly for DEC and DEP to account for the differences in each utility’s load profile net of solar generation.

33. The new Schedule PP capacity rate design offers three distinct pricing periods, instead of the two pricing periods offered under the pre-existing Schedule PP design, to better reflect the marginal capacity value to customers during each period. The updated pricing periods offer capacity payments during the summer months of July and August and winter months of

²⁵ The periods shown in Figure 3 and Figure 4 that follow represent hour-ending convention (example: Hour 7 represents the hour from 6 a.m. to 7 a.m.).

December through March. The highest prices are paid in the early morning winter hours to recognize the greater loss of load risk and greater value of capacity to the Companies and their customers during those hours. The three capacity pricing periods are the same for DEC and DEP. Figure 4 shows the new Schedule PP capacity pricing periods (and their respective prices) compared to the capacity pricing periods under pre-existing Schedule PP. The three distinct pricing periods focus on fewer hours in the new Schedule PP and more precisely reflect the value of QF capacity. As shown in Figure 4 and discussed in Section II(c) above, DEP's higher avoided capacity payments for DEP compared to DEC is due to DEC's earlier avoidable capacity need in 2020 versus DEC's first capacity need in 2028.

Figure 4

Filed Capacity Rates																												
Independent Energy Price Blocks		1. Summer On						2. Winter On (am)						3. Winter On (pm)														
Company Rate (cents/KWH)		<u>DEC</u> 0.21		<u>DEP</u> 0.00								<u>DEC</u> 0.97		<u>DEP</u> 11.15								<u>DEC</u> 0.31		<u>DEP</u> 4.78				
DEC / DEP		Hour	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24		
Summer (Jul - Aug)																				On								
Winter (Dec - Mar)									On (am)													On (pm)						

Prior Capacity Rates																											
Independent Energy Price Blocks		1. Summer On						2. Non-Summer On																			
Company Rate (cents/KWH)		<u>DEC</u> 6.68		<u>DEP</u> 6.27								<u>DEC</u> 2.58		<u>DEP</u> 2.43													
DEC / DEP		Hour	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Summer (Jun - Sep)																On											
Non-Summer (Oct - May)								On																			

34. The new Schedule PP rate design also reflects changes to the seasonal allocation weighting for capacity payments based on the Companies' most recent IRPs. The new seasonal allocation is heavily weighted to winter based on the impact of summer versus winter loss of load risk. As presented in the Companies' 2018 IRPs, 100% of DEP's loss of load risk occurs in

the winter and approximately 90% of DEC's loss of load risk occurs in the winter.²⁶ Thus, DEP's new rates pay all of its annual capacity value in the winter while DEC's new rates pay 90% of its annual capacity value in the winter and the remaining 10% in the summer period.

f. Integration Services Charge

35. FERC's PURPA regulations clearly establish that the rates for purchase of QF power may be different depending on the characteristics of the QF generating the power.²⁷ Factors affecting the value of QF power to the utility can include the availability of the QF during system daily and seasonal peak periods, the utility's ability to dispatch the QF, and the reliability of the QF to deliver power when called upon, among others.²⁸

36. In response to the recent surging solar-only QF growth across the Companies' service territories, DEC and DEP have determined that integration of increasing levels of intermittent and non-dispatchable solar resources into each utility's generation mix results in additional costs that should be recognized in assessing the costs the utility avoids as a result of purchasing from solar QFs. To meet the Companies' obligation to provide reliable service, DEC and DEP must dispatch their fleet generation resources and purchased power resources to meet real-time load on a moment-to-moment basis. Solar capacity is variable in its daily energy output and can unexpectedly drop-off or ramp-up very rapidly in real-time, thereby increasing uncertainty in day-ahead, hourly, and sub-hourly forecasts. This additional uncertainty requires the Companies to carry additional operating reserves, which are the real-time system resources

²⁶ DEC 2018 IRP, at 45; DEP 2018 IRP, at 46.

²⁷ See 18 C.F.R. § 292.304(e); see also *California Pub. Utilities Comm'n*, 133 FERC ¶ 61,059, at P 23 (Oct. 21, 2010) (highlighting that it is appropriate to "differentiate among [QFs] using various technologies on the basis of the supply characteristics of the different technologies").

²⁸ See 18 C.F.R. § 292.304(e).

required to balance and regulate the system on an hourly and sub-hourly basis. These operating reserves are provided by reserving additional dispatchable fleet resources to ensure sufficient operational flexibility is available to respond in real-time to rapid movements in solar output. Ensuring sufficient operating reserves are available is also required to maintain compliance with NERC bulk electric system balancing and reliability standards while operating fleet resources within their lowest reliable operating limits. These increased real-time system regulation and balancing reserve requirements attributable to integrating increased levels of uncontrolled solar QF generation result in increased operating costs relative to a dispatchable generation source.

37. The Companies' new rate design includes an integration services charge to recognize the impact on operating reserves for new variable and non-dispatchable solar capacity. The integration services charge was developed based on a recently-conducted study of the current cost to provide the additional operating reserves or generation "ancillary services" needed to integrate increasing levels of solar QF generation into the DEC and DEP systems.

38. The integration services charge included in Schedule PP is designed to reflect the average integration cost for all existing and committed solar resources operating on the system versus assigning the full "incremental" integration costs to new solar resources. The \$1.10/MWh integration services charge for DEC and \$2.39/MWh integration services charge for DEP is also based only on existing and committed solar capacity in DEP (2,950 MW) and DEC (840 MW) across each utility's respective system. The difference in the DEP and DEC cost is largely driven by the significantly greater amount of existing and committed future solar capacity in DEP compared to DEC.

39. The integration services charge will apply only to new solar generators coming onto the system, which would include solar QFs that sell power to the Companies under the

avoided cost rates filed in this proceeding. The Companies are not proposing to apply this charge to QFs that established LEOs but have not yet entered into PPAs under the pre-existing Schedule PP. Over time, as existing contracts expire and new contracts are executed, this average integration charge will apply to all solar providers uniformly. The Companies plan to continue to study the cost to integrate operating and incremental solar generation and will update the Commission in the future on changes to the integration costs. Factors such as solar penetration levels, prevailing fuel prices and the makeup of the Companies' future resource portfolios will all be taken into consideration in assessing the then-prevailing integration costs. The Companies plan to update the integration services charge as part of future avoided cost filings. As described in the Rate Updates section of Schedule PP, any future Commission-approved adjustments to the integration services charge would apply to QFs contracting under new Schedule PP.

g. Modifications to Schedule PP PPA and Terms and Conditions.

40. The Companies have amended Schedule PP to reflect the updated rates and terms supported in Section II (a) through (f) above and are amending the standard Schedule PP PPA and Terms and Conditions to incorporate the following amendments in response to the recent significant QF development under Schedule PP and current economic and regulatory circumstances relating to PURPA implementation in South Carolina.

41. The Companies have amended Paragraph 14 of the Terms and Conditions to provide greater clarity around the circumstances that are considered "an emergency condition." These circumstances expressly include any circumstance that requires action by the Companies to comply with NERC/SERC regulations or standards. The Companies are also amending Paragraph 2(b) of the Terms and Conditions to make clear that QFs delivering power under

Schedule PP must comply with any Duke Energy system operator instructions and operational protocols for dispatching generation (or battery storage) output on to the system.

42. The Companies have additionally amended Paragraph 1(e) of their Terms and Conditions to clarify that PPAs shall not be transferred and or assigned by a QF or “Seller” under the PPA to any person, firm, or corporation that is a party to any other PPA under which it sells or seeks to sell power to the Companies as a QF, if that party is located within one-half mile of the original QF. This clarification relates to the availability of the Companies’ Schedule PP. The pre-existing Schedule PP is not available to a QF that sells power to the Companies from another affiliated QF located within one-half mile, unless the combined capacity is equal to or less than 2 MW. The proposed amendment to the Terms and Conditions is intended to clarify this existing provision and to prevent evasion of this geographic restriction through subsequent consolidation of ownership of QFs after their Schedule PP PPAs have been executed.

43. The Companies have also amended their Schedule PP PPAs to address circumstances in which an operating QF may seek to modify the generating facility to increase its AC capacity or DC (energy) output under the PPA. A QF that has entered into a Schedule PP PPA with the Companies and subsequently requests to modify the generating facility to increase output has the right to make such a request under the PPA subject to generally-applicable requirements related to continued QF certification and Schedule PP eligibility requirements²⁹ and any needed interconnection review, as determined by DEC or DEP, to ensure grid safety and reliability are maintained. However, any such increase to the QF’s “Contract Capacity” under the Schedule PP PPA and Section 4 of the Terms and Conditions *will not* be allowed if the QF

²⁹ For example, solar QFs up to 80 MW_{AC} qualify as small power producer QFs.

seeks to retain its pre-existing standard offer PPA at the Companies' pre-existing and now stale and significantly higher avoided cost rates. Any such action by the QF would constitute a modification to the QF "Facility"³⁰ that has committed to sell power to DEC or DEP under the then-effective PPA and an event of default resulting in termination of the PPA, at the Companies' election. Section 1.4 of the Companies' standard offer PPA establishes the "Contract Capacity" of the QF (measured in kW/MW_{AC}) and requires the QF and the Companies to agree to an estimated annual energy production, which represents "the amount [of energy] Seller contracts to deliver to the Company and Company agrees to receive." The Companies have modified Section 1.4 of the Schedule PP PPA and Section 4 of the Terms and Conditions to state clearly that QFs are not permitted to add additional capacity or other equipment to the operating Facility that would increase the DC or AC output of the generating facility. The Companies are clarifying their current position under the standard offer PPA and Terms and Conditions to avoid future disputes and to avoid increasing the current over-payment obligation to QFs in excess of today's avoided costs.

44. The Companies are also making certain other ministerial and clarifying modifications to Schedule PP, their respective Terms and Conditions, and PPAs.

³⁰ The description of the "Facility" from which the Companies are contracting to purchase output is a material term of the PPA that is defined in the PPA to include the nameplate capacity, fuel type, and physical location of the QF. Any unilateral attempt to further modify the PPA, including a material modification of the design, description, or capability of the "Facility" would constitute a breach of contract against the party attempting the modification, giving rise to a termination right.

III. SUMMARY OF EXHIBITS SUPPORTING APPLICATION

45. DEC and DEP each submit for filing and approval proposed standard avoided cost rates for qualifying cogeneration and small power production facilities, as further discussed and supported herein.

- **DEC Exhibit 1** presents a redlined copy of DEC's Purchased Power Schedule PP.
- **DEC Exhibit 2** presents a clean copy of DEC's Purchased Power Schedule PP.
- **DEC Exhibit 3 (Confidential)** presents the supporting calculations used to derive the avoided energy and avoided capacity rates. Information included in Exhibit 3 is designated Confidential and is being filed under seal.
- **DEC Exhibit 4** presents a redlined copy of DEC's Standard PPA available to QFs eligible for Schedule PP.
- **DEC Exhibit 5** presents a clean copy of DEC's Standard PPA available to QFs eligible for Schedule PP.
- **DEC Exhibit 6** presents a redlined copy of DEC's Terms and Conditions for the Purchase of Electric Power ("Terms and Conditions").
- **DEC Exhibit 7** presents a clean copy of DEC's Terms and Conditions.

DEP Exhibits 1-7 present the same information for DEP as described above for DEC.

DEP Exhibit 3 is also designated Confidential and is being filed under seal.

IV. REQUEST FOR PROCEDURAL ORDER

46. The Companies respectfully request that the Commission issue a procedural order establishing dates for the filing of testimony and exhibits by the Companies and other interested

parties. Consistent with this request, the Companies respectfully propose the following procedural schedule for the Commission's consideration:

1. That the direct testimony and exhibits of the Companies be filed on or before January 18, 2019;
2. That the direct testimony and exhibits of intervenors be filed on or before March 26, 2019;
3. That any rebuttal testimony and exhibits of the Companies shall be filed on or before April 23, 2019;
4. That any surrebuttal testimony and exhibits of intervenors shall be filed on or before April 30, 2019; and
5. That an evidentiary hearing be scheduled at the Commission's discretion, in consultation with the parties. The Companies have consulted with ORS, and ORS is agreeable to this procedural schedule.

WHEREFORE, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC respectfully request that the Commission approve the Companies' respective Schedule PP, Schedule PP PPA, and Terms and Conditions, grant the Companies' request to maintain the information contained in DEC Exhibit 3 and DEP Exhibit 3 as confidential, and to provide any further relief the Commission deems to be just and reasonable and in the public interest.

This, the 30th day of November, 2018.



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Progress, LLC*

VERIFICATION

STATE OF NORTH CAROLINA)

COUNTY OF MECKLENBURG)

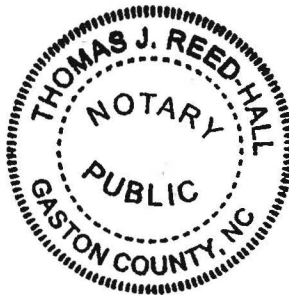
GLEN ALLEN SNIDER, being first duly sworn, deposes and says:

That he is Director – Integrated Resource Planning and Analytics – Carolinas; that he has read the foregoing Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Approval of Updated Standard Offer Avoided Cost Rates and Tariffs and knows the contents thereof; that the same are true of his own knowledge, that the same is true as to matters stated therein on information and belief, and as to those matters, he believes them to be true.


Glen Allen Snider

Sworn to and subscribed before me
This 29 day of November 2018.


Notary Public



My commission expires: 7-30-2022

DEC Application Exhibits 1-7

Duke Energy Carolinas

Electricity No. 4

South Carolina ~~Fifth~~^{Sixth} (Proposed) Revised Leaf No. 90
 Superseding South Carolina ~~Fourth~~^{Fifth} Revised Leaf No. 90

SCHEDULE PP (SC) PURCHASED POWER

AVAILABILITY (South Carolina Only)

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to the Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not applicable to a Qualifying Facility owned by a Customer, or affiliate or partner of a Customer, who sells power to the Company from another facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than two (2) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into the Company's system shall be furnished solely to the individual contracting Customer in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to the Company's purchase of energy or energy and capacity from the Customer's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with the Company's system. Power delivered to the Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of the Company, in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long--Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving the avoided cost rates set forth below, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long--Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long--Term Credit rates proposed in the next avoided cost proceeding, which will be subject to adjustment if different rates are approved by the Public Service Commission of South Carolina ("Commission") in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of two (2) megawatts or less, based on the nameplate rating of the generator, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution systems. Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "RATE" section of this schedule.

TYPE OF SERVICE

The Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

- Single-phase, 120 or 240 volts; or
- 3-phase, 240, 480, 4160, 12470, or 24940 volts; or
- 3-phase voltages other than the foregoing, but only at the Company's option, and provided that the size of the Customer's contract warrants a substation solely to serve that Customer, and further provided that the Customer furnish suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

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Effective for bills rendered on and after ~~July 1, 2016~~^{November 30, 2018}

PSCSC Docket No. 1995-1192-E, Order No. ~~2016-349~~

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 Superseding South Carolina ~~Fourth~~Fifth Revised Leaf No. 90

SCHEDULE PP (SC)
 PURCHASED POWER

RATE

The Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to the Company at the Credits set forth below as applicable. Such payments shall be reduced by ~~both~~ the Administrative Charge, the Integration Services Charge and any applicable Interconnection Facilities Charge.

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credits will be in accordance with the length of rate term for energy sales so established in the Purchase Power Agreement.

Administrative Charge \$ 11.07 per month

Interconnection Charge The Interconnection Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

Integration Services Charge \$0.00110 per kWh

Due to incremental operations costs incurred with intermittent generation resources, Seller shall pay an integration services charge (the "Integration Services Charge"), which currently applies only to solar photovoltaic generation facilities. The Charge shall apply to solar photo-voltaic Eligible Qualifying Facilities that either establish a Legally Enforceable Obligation or renew, or otherwise extend, a Purchased Power Agreement on or after November 30, 2018, including all Sellers served under Variable rates. This Integration Services Charge shall be in the amount specified below and will be billed monthly based upon generated energy delivered to the Company.

Interconnected to Distribution System:

	<u>Variable Rate</u>	<u>5-Year Fixed Rate</u>	<u>10-Year Fixed Rate</u>
I. <u>Capacity Credit</u>			
a. <u>All On Peak Energy per Summer Month per kWh:</u>	6.11¢	6.33¢	6.68¢
b. <u>All On Peak Energy per Nonsummer Month per kWh:</u>	2.37¢	2.45¢	2.58¢
II. <u>Energy Credit</u>			
a. <u>All On Peak Energy per Month per kWh</u>	4.24¢	4.46¢	5.04¢
b. <u>All Off Peak Energy per Month per kWh</u>	3.34¢	3.49¢	4.09¢

Interconnected to Transmission System:

	<u>Variable Rate</u>	<u>5-Year Fixed Rate</u>	<u>10-Year Fixed Rate</u>
I. <u>Capacity Credit</u>			
a. <u>All On Peak Energy per Summer Month per kWh:</u>	5.97¢	6.18¢	6.52¢
b. <u>All On Peak Energy per Nonsummer Month per kWh:</u>	2.31¢	2.39¢	2.52¢
II. <u>Energy Credit</u>			
a. <u>All On Peak Energy per Month per kWh</u>	4.14¢	4.35¢	4.92¢
b. <u>All Off Peak Energy per Month per kWh</u>	3.26¢	3.42¢	4.00¢

<u>Interconnected to Distribution</u>			<u>Interconnected to Transmission</u>		
<u>Variable Rate</u>	<u>Fixed Long-Term Rate (5 years)</u>	<u>Fixed Long-Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (5 years)</u>	<u>Fixed Long-Term Rate (10 years)</u>

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Energy Credits (¢/kWh)¹:

a. On-peak kWh - Summer	<u>3.66</u>	<u>3.69</u>	<u>4.00</u>	<u>3.54</u>	<u>3.57</u>	<u>3.87</u>
On-peak kWh - NonSummer						
1. Morning Hours	<u>4.17</u>	<u>4.12</u>	<u>4.31</u>	<u>4.07</u>	<u>4.02</u>	<u>4.20</u>
2. Evening Hours	<u>3.95</u>	<u>3.80</u>	<u>3.87</u>	<u>3.87</u>	<u>3.71</u>	<u>3.79</u>
b. Off-peak kWh - Summer	<u>2.93</u>	<u>2.63</u>	<u>2.64</u>	<u>2.88</u>	<u>2.58</u>	<u>2.59</u>
Off-peak kWh - NonSummer	<u>2.78</u>	<u>2.65</u>	<u>2.66</u>	<u>2.73</u>	<u>2.61</u>	<u>2.62</u>

Capacity Credits (¢/kWh)²:

On-peak kWh - Winter Morning	<u>0.00</u>	<u>0.00</u>	<u>0.97</u>	<u>0.00</u>	<u>0.00</u>	<u>0.94</u>
On-peak kWh - Winter Evening	<u>0.00</u>	<u>0.00</u>	<u>0.31</u>	<u>0.00</u>	<u>0.00</u>	<u>0.31</u>
On-peak kWh - Summer	<u>0.00</u>	<u>0.00</u>	<u>0.21</u>	<u>0.00</u>	<u>0.00</u>	<u>0.20</u>

¹ For Energy Credit purposes, Summer months are defined as calendar months May through September and NonSummer months are defined as calendar months October through April. Summer on-peak hours shall be Monday through Friday from 12:00 p.m. noon to 11:00 p.m. NonSummer on-peak hours shall be Monday through Friday with morning hours from 6:00 a.m. to 10:00 a.m. plus evening hours from 5:00 p.m. to 11:00 p.m. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

² Capacity Credit shall only be applicable in Summer months defined as the calendar months of July and August and Winter months defined as calendar months of December through March. Summer on-peak hours shall be 4 p.m. to 8 p.m. during all Summer days. During Winter months, the morning on-peak hours shall be all Winter days from 6:00 a.m. to 9:00 a.m. and evening on-peak hours shall be all Winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

The Capacity Credits and Energy Credits of the Variable Rate are subject to change at any time during the term of contract as approved by the Public Service Commission of South Carolina.

DETERMINATION OF ON PEAK AND OFF PEAK HOURS

	Summer Months	Nonsummer Months
	June 1 – September 30	October 1 – May 31
On-Peak Period Hours	1 p.m. – 9 p.m.	6 a.m. – 1 p.m.
	Monday – Friday	Monday – Friday
Off-Peak Period Hours	All other weekday hours and all Saturday and Sunday hours.	
	All hours for the following holidays shall be considered as Off Peak: New Year's Day, Memorial Day, Good Friday, Independence Day, Labor Day, Thanksgiving Day, Day after Thanksgiving, and Christmas Day.	

RENEWABLE ENERGY CREDITS

Unless otherwise specified in the Company's agreements with the Seller, the sale of power under this schedule does not convey to the Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

INTERCONNECTION FACILITIES CHARGE

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25

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minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of the Seller's generation to the Company's system shall be in accordance with the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections.

POWER FACTOR CORRECTION

Unless the Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when the Seller consumes VARs supplied by the Company or the Seller delivers VARs to Company, the Company may reduce the purchased energy measured in kilowatt-hours for that month by multiplying by the Average Consumed Power Factor. The Average Consumed Power Factor shall be the calculated on a monthly basis as the average kWh divided the average kVAh, where average kVAh shall be the square root of the sum of the average kWh squared plus the average consumed and delivered kVARh squared. Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Company.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Energy and Capacity Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Credit provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to the Customer will be credited to the Customer's account, ~~or~~, at the option of the Customer and upon ten (10) days' prior written notice, shall be payable to the Customer within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one and one-half percent (1 ½%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

SOUTH CAROLINA POWER EXCISE TAX

The Customer shall be responsible for any and all taxes including, but not limited to, the Electric Power Excise Tax for the electric power generated by the Customer's facilities, which may be imposed under S.C. Code Ann. §12-23-10 (1976), as amended, or any equivalent statute or regulations.

SCHEDULE PP (SC)
PURCHASED POWERAVAILABILITY (South Carolina Only)

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to the Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not applicable to a Qualifying Facility owned by a Customer, or affiliate or partner of a Customer, who sells power to the Company from another facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than two (2) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into the Company's system shall be furnished solely to the individual contracting Customer in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to the Company's purchase of energy or energy and capacity from the Customer's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with the Company's system. Power delivered to the Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of the Company, in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long-Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving the avoided cost rates set forth below, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long-Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long-Term Credit rates proposed in the next avoided cost proceeding, which will be subject to adjustment if different rates are approved by the Public Service Commission of South Carolina ("Commission") in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of two (2) megawatts or less, based on the nameplate rating of the generator, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution systems. Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "RATE" section of this schedule.

TYPE OF SERVICE

The Company will furnish 60 Hertz service through one metering point, at one delivery point, at one of the following approximate voltages, where available, upon mutual agreement:

Single-phase, 120 or 240 volts; or
3-phase, 240, 480, 4160, 12470, or 24940 volts; or
3-phase voltages other than the foregoing, but only at the Company's option, and provided that the size of the Customer's contract warrants a substation solely to serve that Customer, and further provided that the Customer furnish suitable outdoor space on the premises to accommodate a ground-type transformer installation, or substation, or a transformer vault built in accordance with the Company's specifications.

The type of service under this Schedule shall be determined by the Company. Prospective customers shall ascertain the available voltage by written inquiry of the Company before purchasing equipment.

Duke Energy Carolinas

Electricity No. 4
 South Carolina Sixth (Proposed) Revised Leaf No. 90
 Superseding South Carolina Fifth Revised Leaf No. 90

**SCHEDULE PP (SC)
 PURCHASED POWER**

RATE

The Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to the Company at the Credits set forth below as applicable. Such payments shall be reduced by the Administrative Charge, the Integration Services Charge and any applicable Interconnection Facilities Charge.

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credits will be in accordance with the length of rate term for energy sales so established in the Purchase Power Agreement.

Administrative Charge \$ 11.07 per month

Interconnection Charge The Interconnection Charge for each customer is set forth in the Agreement as outlined in the Terms and Conditions; however, the \$25.00 minimum will not apply if the charge is for a meter only.

Integration Services Charge \$0.00110 per kWh

Due to incremental operations costs incurred with intermittent generation resources, Seller shall pay an integration services charge (the "Integration Services Charge"), which currently applies only to solar photovoltaic generation facilities. The Charge shall apply to solar photo-voltaic Eligible Qualifying Facilities that either establish a Legally Enforceable Obligation or renew, or otherwise extend, a Purchased Power Agreement on or after November 30, 2018, including all Sellers served under Variable rates. This Integration Services Charge shall be in the amount specified below and will be billed monthly based upon generated energy delivered to the Company.

<u>Interconnected to Distribution</u>			<u>Interconnected to Transmission</u>		
<u>Variable Rate</u>	<u>Fixed Long-Term Rate (5 years)</u>	<u>Fixed Long-Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long-Term Rate (5 years)</u>	<u>Fixed Long-Term Rate (10 years)</u>

Energy Credits (¢/kWh)¹:

a. On-peak kWh - Summer	3.66	3.69	4.00	3.54	3.57	3.87
On-peak kWh - NonSummer						
1. Morning Hours	4.17	4.12	4.31	4.07	4.02	4.20
2. Evening Hours	3.95	3.80	3.87	3.87	3.71	3.79
b. Off-peak kWh - Summer	2.93	2.63	2.64	2.88	2.58	2.59
Off-peak kWh - NonSummer	2.78	2.65	2.66	2.73	2.61	2.62

Capacity Credits (¢/kWh)²:

On-peak kWh – Winter Morning	0.00	0.00	0.97	0.00	0.00	0.94
On-peak kWh – Winter Evening	0.00	0.00	0.31	0.00	0.00	0.31
On-peak kWh - Summer	0.00	0.00	0.21	0.00	0.00	0.20

South Carolina Sixth (Proposed) Revised Leaf No. 90
 Effective for bills rendered on and after November 30, 2018
 PSCSC Docket No. 1995-1192-E, Order No. _____

**SCHEDULE PP (SC)
PURCHASED POWER**

- ¹ For Energy Credit purposes, Summer months are defined as calendar months May through September and NonSummer months are defined as calendar months October through April. Summer on-peak hours shall be Monday through Friday from 12:00 p.m. noon to 11:00 p.m. NonSummer on-peak hours shall be Monday through Friday with morning hours from 6:00 a.m. to 10:00 a.m. plus evening hours from 5:00 p.m. to 11:00 p.m. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.
- ² Capacity Credit shall only be applicable in Summer months defined as the calendar months of July and August and Winter months defined as calendar months of December through March. Summer on-peak hours shall be 4 p.m. to 8 p.m. during all Summer days. During Winter months, the morning on-peak hours shall be all Winter days from 6:00 a.m. to 9:00 a.m. and evening on-peak hours shall be all Winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

The Capacity Credits and Energy Credits of the Variable Rate are subject to change at any time during the term of contract as approved by the Public Service Commission of South Carolina.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in the Company's agreements with the Seller, the sale of power under this schedule does not convey to the Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

INTERCONNECTION FACILITIES CHARGE

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of the Seller's generation to the Company's system shall be in accordance with the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections.

POWER FACTOR CORRECTION

Unless the Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when the Seller consumes VARs supplied by the Company or the Seller delivers VARs to Company, the Company may reduce the purchased energy measured in kilowatt-hours for that month by multiplying by the Average Consumed Power Factor. The Average Consumed Power Factor shall be the calculated on a monthly basis as the average kWh divided the average kVAh, where average kVAh shall be the square root of the sum of the average kWh squared plus the average consumed and delivered kVARh squared. Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of Company.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Energy and Capacity Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Credit provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

Duke Energy Carolinas

Electricity No. 4
South Carolina Sixth (Proposed) Revised Leaf No. 90
Superseding South Carolina Fifth Revised Leaf No. 90

SCHEDULE PP (SC)
PURCHASED POWER

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to the Customer will be credited to the Customer's account, or, at the option of the Customer and upon ten (10) days' prior written notice, shall be payable to the Customer within fifteen (15) days of the date of the bill.

Bills under this Schedule are due and payable on the date of the bill at the office of the Company. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a one and one-half percent (1 ½%) late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

SOUTH CAROLINA POWER EXCISE TAX

The Customer shall be responsible for any and all taxes including, but not limited to, the Electric Power Excise Tax for the electric power generated by the Customer's facilities, which may be imposed under S.C. Code Ann. §12-23-10 (1976), as amended, or any equivalent statute or regulations.

Confidential DEC Application Exhibit 3

Duke Energy Carolinas, LLC

Supporting Calculations
(filed under seal)

PURCHASED POWER AGREEMENT

between

DUKE ENERGY CAROLINAS, LLC

and

**~~CUSTOMER~~SELLER
NAME****“Project Name”****Contract Number:** _____**Contract Date:** _____**Initial Delivery Date:** _____

PURCHASED POWER AGREEMENT

THIS PURCHASED POWER AGREEMENT ("Agreement") is made
this ____ day of ____, by and between

DUKE ENERGY CAROLINAS, LLC,

a South Carolina Limited Liability Company ("Company"), and

CUSTOMER

NAME *[insert seller name]*

a(n) [insert place of formation] [insert entity type]
(~~"Supplier"~~Seller or ~~"Customer"~~), for the

"_____" **Project**
Name,

~~which is or will be a qualifying facility~~ Seller hereby certifies that the Facility (is/is not) "new capacity," as defined by the Federal Energy Regulatory Commission ("FERC"), ~~and that construction of the Facility (was/was not) commenced on or after November 9, 1978 and that the Facility is a qualifying facility as defined by the Federal Energy Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.~~ ~~The Facility as defined herein (the "Facility") shall consist~~ consist of that certain [insert description of the Facility including fuel type and Nameplate Capacity rating in AC and DC] generator (the "Facility") which is located at [insert facility address]., ~~South Carolina.~~

(Hereinafter, the parties are also referred to individually as a "Party" and collectively as the "Parties").

In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their successors and assigns, do hereby agree to the following:

1. Service Requirements

- 1.1 Seller shall sell and deliver exclusively to the Company all of the electric power generated by the Facility, net of the Facility's own auxiliary electrical requirements and the Company shall purchase, receive, use and pay for the same, subject to the conditions contained in this Agreement. Upon the completion of the installation, by Company, of its system upgrades and interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller shall become responsible for the payment to Company of any and all charges that may apply, whether or not Seller actually delivers any electricity to Company. If the Seller requests standby, back-up and/or maintenance power for the Facility's auxiliary electrical requirements from the Company, such power shall be provided to Supplier pursuant to a separate electric service agreement under the Company's rate schedule appropriate for such service.

- 47 1.2 Electricity supplied by the ~~s~~Seller shall be [*single (1)/three (3)*] phase, alternating, at a
48 frequency of approximately sixty (60) hertz, and at approximately _____ volts, _____,
49 _____ wires at a sufficient power factor to maintain system operating parameters as
50 specified by Company.
51
52
53 1.3 Delivery of said Seller's Power shall be at a point of delivery described as follows:
54 _____.
55
56 1.4 ~~Based upon the alternating current rating, t~~The Contract Capacity of ~~Seller's generating~~
57 ~~facilities~~the Facility, as defined in the Terms and Conditions for the Purchase of Electric
58 Power is _____ -AC kW/MW, and ~~The~~ estimated annual energy production of ~~the Facility~~
59 ~~is _____ kWh, is the amount Seller contracts to deliver to Company and Company~~
60 ~~agrees to receive.~~

61
62 2. **Rate Schedule**

63
64 The sale, delivery, and use of electric power hereunder, and all services of whatever type to
65 be rendered or performed in connection therewith, shall in all respects be subject to and in
66 accordance with all the terms and conditions of the Company's Purchased Power Schedule
67 PP(SC), [*Variable Rate*][*5-year Fixed Long-Term Rate*], [*10-year Fixed Long-Term Rate*]
68 for [*Distribution*][*Transmission*] Interconnection] ("Rate Schedule") and the Terms and
69 Conditions, for the Purchase of Electric Power, both of which are now on file with the Public
70 Service Commission of South Carolina, ("Commission"), and are hereby incorporated by
71 reference and made a part hereof as though fully set forth herein. Said Rate Schedule and
72 Terms and Conditions are subject to change, revision, alteration or substitution, either in
73 whole or in part, upon order of said Commission or any other regulatory authority having
74 jurisdiction, and any such change, revision, alteration or substitution shall immediately be
75 made a part hereof as though fully written herein, and shall nullify any prior provision in
76 conflict therewith.
77

78 The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-
79 Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and
80 Terms and Conditions for the Purchase of Electric Power, including but not limited to
81 Variable Rates, other types of charges (e.g., administrative charges), Integration Services
82 Charge, and all non-rate provisions.
83

84 3. **Initial Delivery Date**

85
86 The term of this Agreement shall be a minimum of 5 years when contracting for capacity
87 payments and shall begin upon the first date when energy is generated by the Facility and
88 delivered to Company, unless otherwise mutually agreed to by the Parties, and continuing for
89 the term specified in the Rate schedule paragraph above and shall automatically extend unless
90 terminated by either party by giving not less than thirty (30) days prior written notice. ~~The~~Any
91 automatic extension of this Agreement will be at the Variable Rates in effect at the time of
92 extension. Unless otherwise mutually agreed to by the Parties, ~~T~~the term shall begin no earlier
93 than the date Company's Interconnection Facilities are installed and are ready to accept
94 electricity from Seller which is requested to be _____, 20____. Company at its sole
95 discretion may terminate this Agreement on _____, 20____ (30 months following the
96 date of the order initially approving the rates selection shown above which may be extended
97 beyond 30 months if construction is nearly complete and the Seller demonstrates that it is

making a good faith effort to complete its project in a timely manner) if Seller is unable to provide generation capacity and energy production consistent with the energy production levels specified in Provision No. 21.4 above. ~~This date may be extended by upon mutual agreement by both parties.~~

4. Interconnection Facilities

Unless otherwise required by Company, an Interconnection aAgreement pursuant to the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections ~~to interconnect~~ shall be executed by Seller, including any applicable payments of all charges and fees associated with the interconnection, before Company will accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)* (a) The Interconnection Facilities Charge shall be specified in the Interconnection Agreement, or (b) The Interconnection Facilities Charge shall be 1.7% of the installed cost of metering and other equipment and is \$____ per month.

5. Reporting Requirements

Upon request, facilities ~~larger than 3,000 kW~~ may be required to provide prior notice of annual, monthly, and day-ahead forecast of hourly production, as specified by the Company. If the Seller is required to notify the Company of planned or unplanned outages, notification should be made as soon as known. Seller shall include the start time, the time for return to service, the amount of unavailable capacity, and the reason for the outage.

Upon the ~~acceptance hereof execution~~ by Company and Seller, ~~evidenced by the signature of its Presidents, Vice Presidents or Authorized Representatives~~ in the block provided below, this ~~document~~ Agreement together with attachments shall become an agreement for Seller to deliver and sell to Company and for Company to receive and purchase from Seller the electricity generated and ~~declared delivered to Company~~ by Seller from ~~its~~ the above ~~-described~~ qualifying generating facility at the rates, in the quantities, for the term, and upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	By _____
_____	Printed: _____
Printed: _____	Title _____
	This ____ day of _____, 20 ____

ACCEPTED: DUKE ENERGY CAROLINAS, LLC Mail Payment/Bill to:

By _____	_____
Title _____	_____
This ____ day of _____, 20 ____	_____

PURCHASED POWER AGREEMENT

between

DUKE ENERGY CAROLINAS, LLC

and

SELLER NAME**“Project Name”****Contract Number:** _____**Contract Date:** _____**Initial Delivery Date:** _____

PURCHASED POWER AGREEMENT

THIS PURCHASED POWER AGREEMENT (“Agreement”) is made
this ____ day of ____, by and between

DUKE ENERGY CAROLINAS, LLC,

a South Carolina Limited Liability Company (“Company”), and

[insert seller name]

a(n) [insert place of formation] [insert entity type] (“Seller”),
for the

“ _____,” Project

Seller hereby certifies that the Facility (is/is not) “new capacity,” as defined by the Federal Energy Regulatory Commission (“FERC”), and that construction of the Facility (was/was not) commenced on or after November 9, 1978 and that the Facility is a qualifying facility as defined by the Federal Energy Regulatory Commission (“FERC”) pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978. The Facility as defined herein (the “Facility”) shall consist of that certain [insert description of the Facility including fuel type and Nameplate Capacity rating in AC and DC] which is located at [insert facility address].

(Hereinafter, the parties are also referred to individually as a “Party” and collectively as the “Parties”).

In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their successors and assigns, do hereby agree to the following:

1. Service Requirements

1.1 Seller shall sell and deliver exclusively to the Company all of the electric power generated by the Facility, net of the Facility’s own auxiliary electrical requirements and the Company shall purchase, receive, use and pay for the same, subject to the conditions contained in this Agreement. Upon the completion of the installation, by Company, of its system upgrades and interconnection facilities at the point of delivery of Seller’s and Company’s conductors, Seller shall become responsible for the payment to Company of any and all charges that may apply, whether or not Seller actually delivers any electricity to Company. If the Seller requests standby, back-up and/or maintenance power for the Facility’s auxiliary electrical requirements from the Company, such power shall be provided to Supplier pursuant to a separate electric service agreement under the Company’s rate schedule appropriate for such service.

1.2 Electricity supplied by the Seller shall be [single (1)/three (3)] phase, alternating at a frequency of approximately sixty (60) hertz, and at approximately _____volts, _____ wires at a sufficient power factor to maintain system operating parameters as specified by Company.

48 1.3 Delivery of said Seller's Power shall be at a point of delivery described as follows:

49 _____.

50

51 1.4 The Contract Capacity of the Facility, as defined in the Terms and Conditions for the Purchase

52 of Electric Power is _____-AC kW/MW. The estimated annual energy production of the

53 Facility is _____kWh.

54

55 2. **Rate Schedule**

56

57 The sale, delivery, and use of electric power hereunder, and all services of whatever type to

58 be rendered or performed in connection therewith, shall in all respects be subject to and in

59 accordance with all the terms and conditions of the Company's Purchased Power Schedule

60 PP(SC), [Variable Rate][5-year Fixed Long-Term Rate], [10-year Fixed Long-Term Rate]

61 for [Distribution][Transmission] Interconnection] ("Rate Schedule") and the Terms and

62 Conditions for the Purchase of Electric Power, both of which are now on file with the Public

63 Service Commission of South Carolina ("Commission"), and are hereby incorporated by

64 reference and made a part hereof as though fully set forth herein. Said Rate Schedule and

65 Terms and Conditions are subject to change, revision, alteration or substitution, either in

66 whole or in part, upon order of said Commission or any other regulatory authority having

67 jurisdiction, and any such change, revision, alteration or substitution shall immediately be

68 made a part hereof as though fully written herein, and shall nullify any prior provision in

69 conflict therewith.

70

71 The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-

72 Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and

73 Terms and Conditions for the Purchase of Electric Power, including but not limited to

74 Variable Rates, other types of charges (e.g., administrative charges), Integration Services

75 Charge, and all non-rate provisions.

76

77 3. **Initial Delivery Date**

78

79 The term of this Agreement shall be a minimum of 5 years when contracting for capacity

80 payments and shall begin upon the first date when energy is generated by the Facility and

81 delivered to Company, unless otherwise mutually agreed to by the Parties, and continuing for

82 the term specified in the Rate schedule paragraph above and shall automatically extend unless

83 terminated by either party by giving not less than thirty (30) days prior written notice. Any

84 automatic extension of this Agreement will be at the Variable Rates in effect at the time of

85 extension. Unless otherwise mutually agreed to by the Parties, the term shall begin no earlier

86 than the date Company's Interconnection Facilities are installed and are ready to accept

87 electricity from Seller which is requested to be _____, 20__.

88 Company at its sole discretion may terminate this Agreement on _____, 20__ (30 months following the

89 date of the order initially approving the rates selection shown above which may be extended

90 beyond 30 months if construction is nearly complete and the Seller demonstrates that it is

91 making a good faith effort to complete its project in a timely manner) if Seller is unable to

92 provide generation capacity and energy production consistent with the energy production

93 levels specified in Provision No. 1.4 above.

94

95 4. **Interconnection Facilities**

96

97 Unless otherwise required by Company, an Interconnection Agreement pursuant to the South

98 Carolina Generator Interconnection Procedures, Forms and Agreements for State-

Jurisdictional Interconnections shall be executed by Seller, including any applicable payments of all charges and fees associated with the interconnection, before Company will accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)* (a) The Interconnection Facilities Charge shall be specified in the Interconnection Agreement, or (b) The Interconnection Facilities Charge shall be 1.7% of the installed cost of metering and other equipment and is \$____ per month.

5. Reporting Requirements

Upon request, facilities may be required to provide prior notice of annual, monthly, and day-ahead forecast of hourly production, as specified by the Company. If the Seller is required to notify the Company of planned or unplanned outages, notification should be made as soon as known. Seller shall include the start time, the time for return to service, the amount of unavailable capacity, and the reason for the outage.

Upon the execution by Company and Seller, in the block provided below, this Agreement together with attachments shall become an agreement for Seller to deliver and sell to Company and for Company to receive and purchase from Seller the electricity generated and delivered to Company by Seller from the above described qualifying generating facility at the rates, in the quantities, for the term, and upon the terms and conditions set forth herein.

Witness as to Seller:

Printed: _____

Printed: _____

_____, Seller

By _____

Printed: _____

Title _____

This ____ day of _____, 20 ____

ACCEPTED: DUKE ENERGY CAROLINAS, LLC

Mail Payment/Bill to:

By _____

Title _____

This ____ day of _____, 20 ____

Duke Energy Carolinas, LLC

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER
South Carolina

1. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Carolinas, LLC, hereafter called the "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in the Purchased Power Schedule PP. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by the Company to the Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) the Company's form of Purchase Power Agreement when signed by Seller and accepted by the Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase ~~Power~~ Agreement between the Company and the Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, ~~subject to without the prior written approval of the Company. The Company will grant such approval upon being reasonably satisfied that the assignee will fulfill the terms of the Agreement and if, at the Company's option, a satisfactory guarantee for the payment of any applicable bills is furnished by assignee. A Purchase Power Agreement shall not be transferred and assigned by the Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. The Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that the Company has not approved in writing shall be null and void and not effective for all purposes.~~ However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to the Seller under this Agreement, or in the event of any contemplated sale,

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transfer or assignment of the Facility, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising the Company of any plans for such an assignment, sale or transfer.

- (g) Suspension of Sales Under Agreement at Seller's Request - If the Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, the Company will, upon written request of the Seller, and for a period the Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at Seller's Request - If the Seller desires to terminate the Agreement, the Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement ~~to interconnect~~, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. The Company may waive the foregoing provision if the Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to the Company for the delivery of electricity to the Company for a term not less than the unexpired portion of the Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - The Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from Seller based on any of the following: (1) ~~for~~ any default or breach of the Agreement by the Seller, (2) ~~for~~ fraudulent or unauthorized use of the Company's meter, (3) ~~for~~ failure to pay any applicable bills when due and payable, (4) any material modification to the Facility without the Company's consent or otherwise delivering energy in excess of the estimated annual energy production of the Facility. (5) ~~for any~~ condition on the Seller's side of the point of delivery actually known by the Company to be, or which the Company reasonably anticipates may be, dangerous to life or property, or (5) Seller fails to deliver energy to the Company for six (6) consecutive months. Termination of the Agreement shall be at the Company's sole option and is only appropriate when the Seller either cannot or will not cure its default. ~~due to the Seller's inability to deliver to the Company the quality and/or quantity of electricity mutually agreed to in the Purchase Agreement.~~

No such termination or suspension, however, will be made by the Company without written notice delivered to Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1-(i)(2) or 1(i)(5) above. The Company shall give the Seller a minimum of thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1-(i)(1), 1(i)(3)-(4), and (5). The Company shall give the Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1-(i)(4). (6).

Failure of the Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect the Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by the Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve the Seller of the Seller's liability to

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compensate the Company for services and/or facilities supplied, nor shall it relieve the Seller (1) of the Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of the Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) The Company is not obligated to purchase electricity from the Seller unless and until: (1) the Company's form of Purchase Power Agreement is executed by the Seller and accepted by the Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from the Seller, the Seller conveys or causes to be conveyed to the Company, without cost to the Company, a right-of-way easement, satisfactory to the Company, across such private property which will provide for the construction, maintenance, and operation of the Company's lines and facilities, necessary to receive electricity from Seller; provided, however, in the absence of a formal conveyance, the Company nevertheless, shall be vested with an easement over Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to the Company. Where not required by law, an inspection by a Company-approved inspector shall be made at the Seller's expense. In the event the Seller is unable to secure such necessary rights of way, the Seller shall reimburse the Company for all costs the Company may incur for the securing of such rights of way.
- (b) The obligation of the Company in regard to service under the Agreement are dependent upon Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. The Company shall not be liable to any Seller in the event Company is delayed or prevented from purchasing power by the Company failure to secure and retain such rights-of-way, privileges, franchises, and permits. The Seller shall operate its Facility in compliance with all: (i) system operator instructions provided by the Company, including any energy storage protocols provided if applicable; (ii) applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and (iii) the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) The Seller shall submit an Interconnection Request to interconnect as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections. —The Company shall not be required to install facilities to support interconnection of the Seller's generation or execute the Purchase Power Agreement until Seller has signed an Interconnection Agreement to interconnect as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections, as may be required by the Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, the Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) the Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless the Company is reimbursed for such expense by Sellers or

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customers connected thereto, or (2) the right of the Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's nameplate rated output capability of the ~~generator~~ Facility as measured at the delivery point specified in AC. For multi-unit generator facilities, the "Nameplate Capacity" of the ~~f~~Facility shall be the sum of the individual manufacturer's kW_{AC} nameplate rated output capabilities of the generators. The Nameplate Capacity shall also include the DC rating of the Facility. For inverted based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters. The Nameplate Capacity shall also include the DC rating of the Facility.
- ~~(b) Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Seller's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.~~
- ~~(e)~~(b) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the ~~f~~Facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- ~~(d)~~(c) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to the Company by Seller from the Facility.
- ~~(e)~~(d) The term "Company's conductors" shall mean the Company's wires extending from the point of connection with the Company's existing electric system to the point of delivery.
- ~~(f)~~(e) The term "Seller's conductors" shall mean the Seller's wires extending from the point of delivery to the switch box or other point where the Seller's circuits connect for the purpose of supplying the electricity produced by the Seller.
- ~~(f)~~ The term "interconnection" shall mean the connection of Company's conductors to Seller's conductors.
- (g) The term "Facility" shall have the meaning specified in the Purchase Power Agreement.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be ~~the kW-of-capacity as~~ specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by the Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to the Company during any billing period. ~~In cases where any change is required in the Company's facilities due to the actual capacity delivered exceeding the Contract~~

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~~Capacity or due to the Seller requesting an increase in the capacity of Company's facilities, the Company may require the Seller to execute a new Agreement or amend an existing Agreement, thereby establishing a new Contract Capacity. If the Company's facilities cannot be upgraded to accept such actual or requested increase, then upon written notice, The Seller shall not exceed the existing Contract Capacity or deliver energy in excess of the estimated annual energy production of the Facility unless and until the increase has been agreed to in an amendment executed by the Company and the Seller and the Seller's facilities have been upgraded to accept the actual or requested increase as may be required by the Company in its sole discretionsuch amount in excess thereof as the Company determines it is able to accept.~~

- (b) The Seller shall not change ~~its generating capacity~~ the Contract Capacity or contracted estimated annual kWh energy production without adequate notice to the Company, and without receiving the Company's prior written consent, and such unauthorized increase causes loss of or damage to the Company's facilities, the cost of making good such loss or repairing such damage shall be paid by the Seller.
- (c) The Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of the Seller's generating facility or annual energy production will deviate from contracted or established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.
- (d) Any material modification to the Facility, including without limitation, a change in the AC or DC output capacity of the Facility or the addition of energy storage capability shall require the prior written consent of the Company, which may be withheld in the Company's sole discretion, and shall not be effective until memorialized in an amendment executed by the Company and the Seller.~~In the event that the Contract Capacity is terminated, in whole or in part, prior to the completion of the term of the Agreement, the Seller shall pay to the Company a penalty as set forth in paragraph 6, below.~~

5. CONTRACT ESTIMATED ANNUAL ENERGY PRODUCTION

The ~~Contract Energy~~ estimated annual energy production from the Facility specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from the Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY OR CONTRACT ENERGY

~~If Seller terminates the Agreement prior to the expiration of the initial (or extended) term of the Purchase Agreement, the following payment shall be made to the Company by the Seller:~~

- (a) Early Contract Termination – ~~If T~~ the Seller terminates the Agreement or if the Agreement is terminated by the Company as permitted in Section 1(i) prior to the expiration of the initial (or extended) term of the Purchase Power Agreement, the Seller shall pay to the Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

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(b) Increase ~~in~~ Contract Capacity – The Seller may apply to the Company to increase the Contract Capacity during the Contract Period and, upon approval by the Company and an amendment to implement the change has been executed by the Company and the Customer, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in additional costs associated with redesign or a resizing of the Company's facilities, such additional costs to Seller shall be determined in accordance with ~~any agreement~~ the Interconnection Agreement to interconnect. Notwithstanding the foregoing, the Company shall not be obligated to accept any increase in Contract Capacity under the rates and terms of the existing Agreement, and, in the Company's sole discretion, may require the Seller to enter into a new Power Purchase Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by the Commission.

8. QUALITY OF ENERGY RECEIVED

- (a) The Seller has full responsibility for the routine maintenance of ~~his~~its generating and protective equipment to insure ~~that~~ reliable, utility grade electric energy is being delivered to the Company.
- (b) The ~~Seller's~~ Facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by the Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) The Seller may operate direct current generators in parallel with the Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system. Harmonics generated by a DC generator-inverter combination must not adversely affect the Company's supply of electric service to, or the use of electric service by the Company's other customers, and any correction thereof is the full responsibility of Seller.
- (d) In the event the Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, the Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by the Company.
- (e) All material modifications to the Facility shall require the prior written consent from the Company, and ~~The~~ the Seller shall provide the Company written notification of any requested changes to their ~~generation system~~ Facility, support equipment such as inverters, or interconnection facilities as soon as reasonably possible to allow ~~and shall provide the~~ Company adequate time to review such requested changes to ensure continued safe interconnection prior to implementation.

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- (f) Failure of the Seller to comply with (a), (b), (c), (d) or (e) in paragraph 8 above will constitute grounds for the Company to cease parallel operation with Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1 above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If the Company is unable to read its purchase meter for any reason, the Seller's production may be estimated by the Company on the basis of the Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in the Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company, except that if the period covered by an initial or final bill, or due to rerouting of the meter reading schedule, is more than 35 or less than 25 days, the bill will be prorated based on a 30-day billing month.
- (d) Payments for capacity and/or energy will be made to the Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) The Company reserves the right to set off against any amounts due from the Company to Seller, any amounts which are due from Seller to the Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement ~~to interconnect~~ or past due balances on any accounts the Seller has with the Company for other services. ~~The Company shall include a written description of any amounts setoff due from the Company to the Seller in the applicable monthly bill.~~

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, the Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. The Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and the Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the Facility); copies of this Agreement. The Company will not provide any information developed solely by the Seller and designated by the Seller in writing to be "proprietary" unless ~~expressly~~ required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify the Seller prior to supplying the proprietary information. ~~The Company will provide the proprietary information under the applicable procedures of the Commission, the FERC or other regulatory body or court for the submission of proprietary and confidential information, but shall not be required to otherwise defend or support the designation of the information as proprietary. Any and all support, defense or justification of the designation of the information as proprietary shall be the sole and exclusive responsibility of Seller. The Seller shall provide to the Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon~~

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by the Parties, information on the Facility's fuel costs (coal, oil, natural gas, supplemental firing, etc.), if any, for the power delivered to the Company during the preceding month's billing period.——

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, the Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to the Seller, or the Seller shall refund to the Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by the Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where the Company's conductors are, or are to be, connected to Seller's conductors. The Seller shall do all things necessary to bring its conductors to such point of delivery for connection to the Company's conductors, and shall maintain said conductors in good order at all times. If the Seller chooses to deliver power to the Company through a point of delivery where the Seller presently receives power from the Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

Unless otherwise addressed in a separate agreement to interconnect, If the Seller is not subject to the terms and conditions of the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections as approved in Docket No. 2015-362-E, the following conditions shall apply to Interconnection Facilities necessary to deliver the Seller's electricity to the Company. Otherwise, the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections in Docket No. 2015-362-E govern.

- (a) By Company: The Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to the Company, though such meter may be located on the Seller's side of the point of delivery. Interconnection facilities, installed by either the Company or the Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by the Company necessary to receive power from the Seller shall be considered additional facilities and shall be provided, if the Company finds it practicable, under the following conditions:

- (1) The facilities will be of a kind and type normally used by or acceptable to the Company and will be installed at a place and in a manner satisfactory to the Company.
- (2) Seller will pay to Company a Monthly Interconnection Facilities Charge of 1.7 percent of the estimated original installed cost and rearrangement cost of all facilities, including

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metering, required to accept interconnection, but not less than \$25 per month; however, the \$25 minimum will not apply with the Interconnection Facilities consist only of the meter. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.

- (3) If the Company increases its investment, other than replacement of existing equipment with equipment of equal capacity and kind, in interconnection facilities or other special facilities required by Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the interconnection facilities will be adjusted at that time. The Seller may terminate the interconnection facilities in accordance with the applicable termination paragraph 1 above, or continue the interconnection facilities under the changed conditions.
 - (4) In lieu of the Monthly Interconnection Facilities Charge of 1.7 percent, the Seller may elect to make a contribution equal to the total interconnection facilities investment, plus associated tax gross-ups. In lieu of the monthly charge above, at the Company's option, the Customer may elect to be billed under an alternative payment option to the 1.7 percent per month. Under such option, the payment must be renewed after each thirty (34) year period.
 - (5) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until the Seller no longer has need for such facilities. In the event the Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
 - (6) The Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of the Company's standard metering equipment or other equipment deemed necessary by the Company for the metering of the Seller's electrical output. The Company shall, at its expense, be permitted to install, in the Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
 - (7) The Company shall furnish and install the Interconnection Facilities no later than the date requested by the Seller for such installation. Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested in-service date that such specified in the Interconnection Agreement or (2) the date where energy is generated and delivered to the Company Facilities become operational, except as provided in Paragraph 3.4 hereof, and such charges shall apply at all times thereafter during the term of this Agreement, whether or not the Seller is actually supplying electric power to the Company.
- (b) By Seller: The Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of the Company's meter and meter transformers, on the Seller's side of the point of

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delivery. The Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on Seller's side of the point of delivery. The Seller must conform to the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections~~any State approved interconnection requirements~~. The Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. The Company's meter may be located on the Seller's side of the point of delivery, and when it is to be so located, the Seller must make suitable provisions in the Seller's wiring, at a place suitable to the Company, for the convenient installation of the type of meter the Company will use. All of the Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.

The Seller shall install and maintain devices adequate to protect the Seller's equipment against irregularities on the Company's system, including devices to protect against single-phasing. The Seller shall also install and maintain such devices as may be necessary to automatically disconnect the Seller's generating equipment, which is operated in parallel with the Company, when service provided by the Seller is affected by electrical disturbances on the Company's or the Seller's systems, or at any time when the Company's system is de-energized from its prime source.

- (c) Access to Premises: The duly authorized agents of the Company shall have the right of ingress and egress to the premises of the Seller at all reasonable hours for the purpose of reading meters, inspecting the Company's wiring and apparatus, changing, exchanging, or repairing the Company's property on the premises of the Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: The Seller shall protect the Company's wiring and apparatus on the Seller's premises and shall permit no one but the Company's agents to handle same. In the event of any loss of or damage to such property of the Company caused by or arising out of carelessness, neglect, or misuse by the Seller or the Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by the Seller. In cases where the Company's service facilities on the Seller's premises require abnormal maintenance due to the Seller's operation, the Seller shall reimburse the Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. ~~They~~Each Party shall at all times use reasonable diligence ~~at all times~~ to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse event and/or condition or disturbance on the Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into the Company's electrical system in order to limit the occurrence

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of or extent or damage of the adverse condition or disturbance to the Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to the Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety.

- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on the Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from Seller's premises would endanger persons or property.

The Seller shall be responsible for promptly taking all actions requested or required by the Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

The Seller shall be responsible for insuring the safe operation of ~~his~~its equipment at all times, and will install and maintain, to the Company's satisfaction, the necessary automatic equipment to prevent the backfeed of power into, or damage to the Company's de-energized system, and shall be subject to immediate disconnection of its equipment from the Company's system if the Company determines that such equipment is unsafe or adversely affects the Company's transmission/distribution system or service to its other customers.

The Seller assumes responsibility for and shall indemnify, defend, and save the Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to the Seller or the Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on the Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

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Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;
- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

The Seller shall obtain and retain, for as long as the generation is interconnected with the Company's system, either the applicable home_owner's insurance policy with liability coverage of at least \$100,000 per occurrence or the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. Seller shall provide certificates evidencing this coverage as required by the Company. The Company reserves the right to refuse to establish, or continue the interconnection of the Seller's generation with the Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by the Seller to the Company upon the Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall

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take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by the Company, from the Seller, are subject to changes, restrictions, curtailments, or complete suspensions by the Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

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1. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Carolinas, LLC, hereafter called the "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in the Purchased Power Schedule PP. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by the Company to the Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) the Company's form of Purchase Power Agreement when signed by Seller and accepted by the Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase Power Agreement between the Company and the Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, without the prior written approval of the Company. A Purchase Power Agreement shall not be transferred and assigned by the Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. The Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that the Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to the Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising the Company of any plans for such an assignment, sale or transfer.

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- (g) Suspension of Sales Under Agreement at Seller's Request - If the Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, the Company will, upon written request of the Seller, and for a period the Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at Seller's Request - If the Seller desires to terminate the Agreement, the Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. The Company may waive the foregoing provision if the Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to the Company for the delivery of electricity to the Company for a term not less than the unexpired portion of the Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - The Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from Seller based on any of the following: (1) any default or breach of the Agreement by the Seller, (2) fraudulent or unauthorized use of the Company's meter, (3) failure to pay any applicable bills when due and payable, (4) any material modification to the Facility without the Company's consent or otherwise delivering energy in excess of the estimated annual energy production of the Facility, (5) any condition on the Seller's side of the point of delivery actually known by the Company to be, or which the Company reasonably anticipates may be, dangerous to life or property, or (6) Seller fails to deliver energy to the Company for six (6) consecutive months. Termination of the Agreement shall be at the Company's sole option and is only appropriate when the Seller either cannot or will not cure its default.

No such termination or suspension, however, will be made by the Company without written notice delivered to Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1(i)(2) or 1(i)(5) above. The Company shall give the Seller a minimum of thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1(i)(1), 1(i)(3)-(4). The Company shall give the Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1(i)(6).

Failure of the Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect the Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by the Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve the Seller of the Seller's liability to compensate the Company for services and/or facilities supplied, nor shall it relieve the Seller (1) of the Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of the Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the unexpired term of

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the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) The Company is not obligated to purchase electricity from the Seller unless and until: (1) the Company's form of Purchase Power Agreement is executed by the Seller and accepted by the Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from the Seller, the Seller conveys or causes to be conveyed to the Company, without cost to the Company, a right-of-way easement, satisfactory to the Company, across such private property which will provide for the construction, maintenance, and operation of the Company's lines and facilities, necessary to receive electricity from Seller; provided, however, in the absence of a formal conveyance, the Company nevertheless, shall be vested with an easement over Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to the Company. Where not required by law, an inspection by a Company-approved inspector shall be made at the Seller's expense. In the event the Seller is unable to secure such necessary rights of way, the Seller shall reimburse the Company for all costs the Company may incur for the securing of such rights of way.
- (b) The obligation of the Company in regard to service under the Agreement are dependent upon Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. The Company shall not be liable to any Seller in the event Company is delayed or prevented from purchasing power by the Company failure to secure and retain such rights-of-way, privileges, franchises, and permits. The Seller shall operate its Facility in compliance with all: (i) system operator instructions provided by the Company, including any energy storage protocols provided if applicable; (ii) applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and (iii) the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) The Seller shall submit an Interconnection Request as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections. The Company shall not be required to install facilities to support interconnection of the Seller's generation or execute the Purchase Power Agreement until Seller has signed an Interconnection Agreement as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections, as may be required by the Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, the Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) the Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless the Company is reimbursed for such expense by Sellers or customers connected thereto, or (2) the right of the Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

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3. DEFINITIONS

- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's nameplate rated output capability of the Facility as measured at the delivery point specified in AC. For multi-unit generator facilities, the "Nameplate Capacity" of the Facility shall be the sum of the individual manufacturer's kW_{AC} nameplate rated output capabilities of the generators. The Nameplate Capacity shall also include the DC rating of the Facility. For inverted based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters. The Nameplate Capacity shall also include the DC rating of the Facility.
- (b) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the Facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- (c) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to the Company by Seller from the Facility.
- (d) The term "Company's conductors" shall mean the Company's wires extending from the point of connection with the Company's existing electric system to the point of delivery.
- (e) The term "Seller's conductors" shall mean the Seller's wires extending from the point of delivery to the switch box or other point where the Seller's circuits connect for the purpose of supplying the electricity produced by the Seller.
- (f) The term "interconnection" shall mean the connection of Company's conductors to Seller's conductors.
- (g) The term "Facility" shall have the meaning specified in the Purchase Power Agreement.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be as specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by the Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to the Company during any billing period. The Seller shall not exceed the existing Contract Capacity or deliver energy in excess of the estimated annual energy production of the Facility unless and until the increase has been agreed to in an amendment executed by the Company and the Seller and the Seller's facilities have been upgraded to accept the actual or requested increase as may be required by the Company in its sole discretion.
- (b) The Seller shall not change the Contract Capacity or contracted estimated annual kWh energy production without adequate notice to the Company, and without receiving the Company's prior written consent, and such unauthorized increase causes loss of or damage to the Company's facilities, the cost of making good such loss or repairing such damage shall be paid by the Seller.
- (c) The Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of the Seller's generating facility or annual energy production will

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deviate from contracted or established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.

- (d) Any material modification to the Facility, including without limitation, a change in the AC or DC output capacity of the Facility or the addition of energy storage capability shall require the prior written consent of the Company, which may be withheld in the Company's sole discretion, and shall not be effective until memorialized in an amendment executed by the Company and the Seller.

5. ESTIMATED ANNUAL ENERGY PRODUCTION

The estimated annual energy production from the Facility specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from the Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY OR CONTRACT ENERGY

- (a) Early Contract Termination – If the Seller terminates the Agreement or if the Agreement is terminated by the Company as permitted in Section 1(i) prior to the expiration of the initial (or extended) term of the Purchase Power Agreement, the Seller shall pay to the Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.
- (b) Increase in Contract Capacity – The Seller may apply to the Company to increase the Contract Capacity during the Contract Period and, upon approval by the Company and an amendment to implement the change has been executed by the Company and the Customer, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in additional costs associated with redesign or a resizing of the Company's facilities, such additional costs to Seller shall be determined in accordance with the Interconnection Agreement. Notwithstanding the foregoing, the Company shall not be obligated to accept any increase in Contract Capacity under the rates and terms of the existing Agreement, and, in the Company's sole discretion, may require the Seller to enter into a new Power Purchase Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of the Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by the Commission.

8. QUALITY OF ENERGY RECEIVED

- (a) The Seller has full responsibility for the routine maintenance of its generating and protective equipment to insure reliable, utility grade electric energy is being delivered to the Company.

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- (b) The Facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by the Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) The Seller may operate direct current generators in parallel with the Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system. Harmonics generated by a DC generator-inverter combination must not adversely affect the Company's supply of electric service to, or the use of electric service by the Company's other customers, and any correction thereof is the full responsibility of Seller.
- (d) In the event the Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, the Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by the Company.
- (e) All material modifications to the Facility shall require the prior written consent from the Company, and the Seller shall provide the Company written notification of any requested changes to the Facility, support equipment such as inverters, or interconnection facilities as soon as reasonably possible to allow the Company adequate time to review such requested changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of the Seller to comply with (a), (b), (c), (d) or (e) in paragraph 8 above will constitute grounds for the Company to cease parallel operation with Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1 above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If the Company is unable to read its purchase meter for any reason, the Seller's production may be estimated by the Company on the basis of the Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in the Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company, except that if the period covered by an initial or final bill, or due to rerouting of the meter reading schedule, is more than 35 or less than 25 days, the bill will be prorated based on a 30-day billing month.
- (d) Payments for capacity and/or energy will be made to the Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) The Company reserves the right to set off against any amounts due from the Company to Seller, any amounts which are due from Seller to the Company, including, but not limited to, unpaid

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charges pursuant to the Interconnection Agreement or past due balances on any accounts the Seller has with the Company for other services.

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, the Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. The Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and the Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the Facility); copies of this Agreement. The Company will not provide any information developed solely by the Seller and designated by the Seller in writing to be "proprietary" unless required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify the Seller prior to supplying the proprietary information. The Seller shall provide to the Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil, natural gas, supplemental firing, etc.), if any, for the power delivered to the Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, the Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to the Seller, or the Seller shall refund to the Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by the Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where the Company's conductors are, or are to be, connected to Seller's conductors. The Seller shall do all things necessary to bring its conductors to such point of delivery for connection to the Company's conductors, and shall maintain said conductors in good order at all times. If the Seller chooses to deliver power to the Company through a point of delivery where the Seller presently receives power from the Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

If the Seller is not subject to the terms and conditions of the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections as approved in Docket No. 2015-362-E, the following conditions shall apply to Interconnection Facilities necessary to deliver the Seller's electricity to the Company. Otherwise, the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections in Docket No. 2015-362-E govern.

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- (a) By Company: The Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to the Company, though such meter may be located on the Seller's side of the point of delivery. Interconnection facilities, installed by either the Company or the Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by the Company necessary to receive power from the Seller shall be considered additional facilities and shall be provided, if the Company finds it practicable, under the following conditions:

- (1) The facilities will be of a kind and type normally used by or acceptable to the Company and will be installed at a place and in a manner satisfactory to the Company.
- (2) Seller will pay to Company a Monthly Interconnection Facilities Charge of 1.7 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month; however, the \$25 minimum will not apply with the Interconnection Facilities consist only of the meter. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.
- (3) If the Company increases its investment, other than replacement of existing equipment with equipment of equal capacity and kind, in interconnection facilities or other special facilities required by Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the interconnection facilities will be adjusted at that time. The Seller may terminate the interconnection facilities in accordance with the applicable termination paragraph 1 above, or continue the interconnection facilities under the changed conditions.
- (4) In lieu of the Monthly Interconnection Facilities Charge of 1.7 percent, the Seller may elect to make a contribution equal to the total interconnection facilities investment, plus associated tax gross-ups. In lieu of the monthly charge above, at the Company's option, the Customer may elect to be billed under an alternative payment option to the 1.7 percent per month. Under such option, the payment must be renewed after each thirty (34) year period.
- (5) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until the Seller no longer has need for such facilities. In the event the Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.

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- (6) The Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of the Company's standard metering equipment or other equipment deemed necessary by the Company for the metering of the Seller's electrical output. The Company shall, at its expense, be permitted to install, in the Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
 - (7) The Company shall furnish and install the Interconnection Facilities no later than the date requested by the Seller for such installation. Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested in-service date specified in the Interconnection Agreement or (2) the date where energy is generated and delivered to the Company and such charges shall apply at all times thereafter during the term of this Agreement, whether or not the Seller is actually supplying electric power to the Company.
 - (b) By Seller: The Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of the Company's meter and meter transformers, on the Seller's side of the point of delivery. The Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on Seller's side of the point of delivery. The Seller must conform to the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections. The Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. The Company's meter may be located on the Seller's side of the point of delivery, and when it is to be so located, the Seller must make suitable provisions in the Seller's wiring, at a place suitable to the Company, for the convenient installation of the type of meter the Company will use. All of the Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.
- The Seller shall install and maintain devices adequate to protect the Seller's equipment against irregularities on the Company's system, including devices to protect against single-phasing. The Seller shall also install and maintain such devices as may be necessary to automatically disconnect the Seller's generating equipment, which is operated in parallel with the Company, when service provided by the Seller is affected by electrical disturbances on the Company's or the Seller's systems, or at any time when the Company's system is de-energized from its prime source.
- (c) Access to Premises: The duly authorized agents of the Company shall have the right of ingress and egress to the premises of the Seller at all reasonable hours for the purpose of reading meters, inspecting the Company's wiring and apparatus, changing, exchanging, or repairing the Company's property on the premises of the Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
 - (d) Protection: The Seller shall protect the Company's wiring and apparatus on the Seller's premises and shall permit no one but the Company's agents to handle same. In the event of any loss of or damage to such property of the Company caused by or arising out of carelessness, neglect, or misuse by the Seller or the Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by the Seller. In cases where the Company's service facilities on the Seller's premises require abnormal maintenance due to the Seller's operation, the Seller shall reimburse the Company for such abnormal maintenance cost.

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14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. Each Party shall at all times use reasonable diligence to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse event and/or condition or disturbance on the Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into the Company's electrical system in order to limit the occurrence of or extent or damage of the adverse condition or disturbance to the Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to the Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety.
- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on the Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from Seller's premises would endanger persons or property.

The Seller shall be responsible for promptly taking all actions requested or required by the Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

The Seller shall be responsible for insuring the safe operation of its equipment at all times, and will install and maintain, to the Company's satisfaction, the necessary automatic equipment to prevent the backfeed of power into, or damage to the Company's de-energized system, and shall be subject to immediate disconnection of its equipment from the Company's system if the Company determines that such equipment is unsafe or adversely affects the Company's transmission/distribution system or service to its other customers.

The Seller assumes responsibility for and shall indemnify, defend, and save the Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to the Seller or the Seller's

Duke Energy Carolinas, LLC

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER
South Carolina

employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on the Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;
- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

The Seller shall obtain and retain, for as long as the generation is interconnected with the Company's system, either the applicable home owner's insurance policy with liability coverage of at least \$100,000 per occurrence or the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. Seller shall provide certificates evidencing this coverage as required by the Company. The Company reserves the right to refuse to establish, or continue the interconnection of the Seller's generation with the Company's system, if such insurance is not in effect.

Duke Energy Carolinas, LLC

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER
South Carolina

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by the Seller to the Company upon the Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by the Company, from the Seller, are subject to changes, restrictions, curtailments, or complete suspensions by the Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

DEP Application Exhibits 1-7

Duke Energy Progress, LLC
(South Carolina)

Schedule PP-5
Supersedes Schedule PP-2

~~Duke Energy Progress, LLC~~
(South Carolina)

PURCHASED POWER SCHEDULE PP-~~2~~5

AVAILABILITY

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Seller or affiliate or partner of a Seller, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than two (2) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Seller's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving the avoided cost rates set forth below, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long-Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long-Term Credit rates proposed in the next avoided cost proceeding, which will be subject to adjustment if different rates are approved by the Public Service Commission of South Carolina ("Commission") in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of two (2) megawatts or less, based on the nameplate rating of the generator, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Duke Energy Progress, LLC
(South Carolina)

Schedule PP-5
Supersedes Schedule PP-2

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution systems. Eligible Qualifying Facilities receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the "MONTHLY RATE" section of this schedule.

APPLICABILITY

This Schedule is applicable to all electric energy and capacity supplied by Eligible Qualifying Facility to Company at one point of delivery through Company's metering facilities.

MONTHLY RATE

Monthly Payment

Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company at the Credits set forth below as applicable. Such payments shall be reduced by ~~both~~ the Seller Charge, Integration Services Charge and any applicable Interconnection Cost. Payments to Qualifying Facilities with Contract Capacities of 10 kW or less shall only be made on a calendar year basis.

Seller Charge

An Eligible Qualifying Facility shall pay to Company a Seller Charge outlined below in accordance with the Contract Capacity specified in the Purchase Power Agreement between Company and Seller:

Monthly Seller Charge	\$8.05
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Integration Services Charge

Due to incremental operations costs incurred with intermittent generation resources, Seller shall pay an integration services charge (the "Integration Services Charge"), which currently applies only to solar photo-voltaic generation facilities. The Charge shall apply to solar photo-voltaic Eligible Qualifying Facilities that either establish a Legally Enforceable Obligation or renew, or otherwise extend, a Purchased Power Agreement on or after November 30, 2018, including all Sellers served under Variable rates. This Integration Services Charge shall be in the amount specified below and will be billed monthly based upon generated energy delivered to the Company.

Integration Services Charge:	\$0.00239 per kWh
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Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credits will be in accordance with the length of rate term for energy sales so established in the Purchase Power Agreement. Company shall pay a Capacity Credit based on the on-peak kWh supplied by the Eligible Qualifying Facility based upon the season.

Duke Energy Progress, LLC
(South Carolina)

Schedule PP-5
Supersedes Schedule PP-2

Credits for Facilities Interconnected to Company's Distribution System:

	<u>Variable Credit</u>	<u>Fixed Long-Term Credits</u>	
		<u>5-Year</u>	<u>10-Year</u>
Energy Credits			
On-peak kWh (¢/kWh)	3.89	3.97	4.71
Off-peak kWh (¢/kWh)	3.46	3.56	4.15
Capacity Credits			
On-peak kWh (¢/kWh) — Summer [†]	5.74	5.94	6.27
On-peak kWh (¢/kWh) — Non-Summer [†]	2.22	2.30	2.43

Credits for Facilities Interconnected to Company's Transmission System:

	<u>Variable Credit</u>	<u>Fixed Long-Term Credits</u>	
		<u>5-Year</u>	<u>10-Year</u>
Energy Credits			
On-peak kWh (¢/kWh)	3.80	3.88	4.60
Off-peak kWh (¢/kWh)	3.42	3.52	4.10
Capacity Credits			
On-peak kWh (¢/kWh) — Summer [†]	5.61	5.81	6.13
On-peak kWh (¢/kWh) — Non-Summer [†]	2.17	2.25	2.37

Interconnected to Distribution

Interconnected to Transmission

<u>Variable Rate</u>	<u>Fixed Long- Term Rate (5+10 years)</u>	<u>Fixed Long- Term Rate (10 years)</u>	<u>Variable Rate</u>	<u>Fixed Long- Term Rate (5+10 years)</u>	<u>Fixed Long- Term Rate (10 years)</u>
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Energy Credit (¢/kWh)¹

a. On-peak kWh Summer	<u>3.60</u>	<u>3.29</u>	<u>3.31</u>	<u>3.51</u>	<u>3.22</u>	<u>3.24</u>
On-peak kWh NonSummer						
1. Morning Hours	<u>3.83</u>	<u>3.78</u>	<u>3.78</u>	<u>3.77</u>	<u>3.72</u>	<u>3.72</u>
2. Evening Hours	<u>3.44</u>	<u>3.32</u>	<u>3.40</u>	<u>3.39</u>	<u>3.27</u>	<u>3.35</u>
b. Off-peak kWh Summer	<u>2.95</u>	<u>2.74</u>	<u>2.71</u>	<u>2.91</u>	<u>2.71</u>	<u>2.68</u>
Off-peak kWh NonSummer	<u>2.77</u>	<u>2.58</u>	<u>2.49</u>	<u>2.74</u>	<u>2.55</u>	<u>2.46</u>

Capacity Credits Based (¢/kWh)²

Duke Energy Progress, LLC
(South Carolina)

Schedule PP-5
Supersedes Schedule PP-2

On-Peak kWh Winter Morning	<u>5.94</u>	<u>9.66</u>	<u>11.15</u>	<u>5.82</u>	<u>9.48</u>	<u>10.94</u>
On-peak kWh Winter Evening	<u>2.54</u>	<u>4.14</u>	<u>4.78</u>	<u>2.50</u>	<u>4.06</u>	<u>4.69</u>

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¹ For Energy Credit purposes, Summer months are defined as calendar months May through September and NonSummer months are defined as calendar months October through April. Summer on-peak hours shall be Monday through Friday from 1:00 p.m. to 12:00 a.m. midnight. NonSummer on-peak hours shall be Monday through Friday with morning hours from 5:00 a.m. to 9:00 a.m. plus evening hours from 5:00 p.m. to 12:00 a.m. midnight. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

² Capacity Credit shall be applicable in Winter months only, defined as the calendar months of December through March. Winter morning on-peak hours shall be all Winter days from 6:00 a.m. to 9:00 a.m. Winter evening on-peak hours shall be Winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

¹ ~~Summer months are defined as the calendar months of June through September. All other months are Non Summer for purposes of applying the capacity credits.~~

POWER FACTOR CORRECTION

Unless Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when Seller consumes VARs supplied by the Company or Seller delivers VARs to Company, the monthly bill will be increased by a sum equal to \$0.30 multiplied by the maximum consumed or supplied reactive kilovolt-amperes (kVAR) registered by a demand meter suitable for measuring the demand used during a 15-minute interval. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Energy and Capacity Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Credit provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

DETERMINATION OF ON PEAK AND OFF PEAK HOURS

Schedule PP-2 Effective for service rendered on and after November 30, 2018
PSCSC Docket No. 1995-1192-E, Order No. _____

Sheet 4 of 6
C-1

Duke Energy Progress, LLC
(South Carolina)

Schedule PP-5
Supersedes Schedule PP-2

~~The on-peak and off-peak hours by summer and non-summer month are defined by calendar month as follows:~~

TOU Season	Summer Calendar Months of June through September	Non-Summer Calendar Months of October through May
On-peak Hours	Hours between 1:00 p.m. and 9:00 p.m., Monday through Friday, excluding holidays[†] considered as off- peak.	Hours between 6:00 a.m. and 1:00 p.m., Monday through Friday, excluding holidays[†] considered as off-peak.
Off-peak Hours	The off-peak hours in any month are defined as all hours not specified above as on- peak hours.	

~~[†] All hours for the following holidays will be considered as off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When one of the above holidays falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.~~

RENEWABLE ENERGY CREDITS

Unless otherwise specified in Company's agreements with Seller, the sale of power under this schedule does not convey to Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to Seller shall be payable to the Seller within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a 1.5% late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

INTERCONNECTION FACILITIES COSTS

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of the Seller's generation to the Company's system shall be in accordance with the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections.

Duke Energy Progress, LLC Schedule PP-5
(South Carolina) Supersedes Schedule PP-2

~~Supersedes Schedule CSP 30B~~
~~Effective for energy and capacity billed on and after July 1, 2016~~
~~SCPSC Docket No. 1995-1192-E, Order No. 2016-349~~

PURCHASED POWER SCHEDULE PP-5

AVAILABILITY

Upon Seller's completion and Company's acceptance of a Purchase Power Agreement, this Schedule is available for electrical energy and capacity supplied by Eligible Qualifying Facilities (as defined below) to Company, provided Seller is a Qualifying Facility as defined by the Federal Energy Regulatory Commission's (FERC) Order No. 70 under Docket No. RM79-54 and 18 C.F.R. §§ 292.203, 292.204, and 292.205. This Schedule is not available for electric service supplied by Company to Seller or to Seller who has negotiated rate credits or conditions with Company which are different from those below. This Schedule is not available to a Qualifying Facility owned by a Seller or affiliate or partner of a Seller, who sells power to the Company from another Qualifying Facility of the same energy resource located within one-half mile, as measured from the electrical generating equipment, unless the combined capacity is equal to or less than two (2) megawatts.

Service necessary for the delivery of power from the Seller's generating facilities into Company's system shall be furnished solely to the individual contracting Seller in a single enterprise, located entirely on a single, contiguous premise. Service hereunder shall be restricted to Company's purchase of energy or energy and capacity from the Seller's generating facilities up to the Contract Capacity specified in the Purchase Power Agreement which may be operated in parallel with Company's system. Power delivered to Company under this Schedule shall not offset or be substituted for power contracted for or which may be contracted for under any other schedule of Company. If Seller requires supplemental, back-up, or standby services, Seller shall enter into a separate service agreement with Company in accordance with Company's applicable electric rates, riders, and Service Regulations on file with and authorized by the state regulatory agency having jurisdiction.

All qualifying facilities have the option to sell energy to the Company on an "as available" basis and receive energy credits only calculated using the Variable Rates identified in this Schedule for the delivered energy. The Variable Energy Credit shall constitute the "as available" avoided cost credit for Non-Eligible Qualifying Facilities. The Fixed Long Term Credit rates on this schedule are available only to otherwise eligible Sellers that establish a Legally Enforceable Obligation on or before the filing date of proposed rates in the next avoided cost proceeding, provided eligible Seller begins delivery of power no later than thirty (30) months from the date of the order approving the avoided cost rates set forth below, but may be extended beyond 30 months if construction is nearly complete and Seller demonstrates that it is making a good faith effort to complete its project in a timely manner.

Sellers not qualifying for the Fixed Long-Term Credit rates remain eligible for the Variable Credit rates or the Fixed Long-Term Credit rates proposed in the next avoided cost proceeding, which will be subject to adjustment if different rates are approved by the Public Service Commission of South Carolina ("Commission") in that proceeding.

Qualifying Facilities Eligible for Capacity and/or Energy Credits

In order to be an Eligible Qualifying Facility and receive Energy Credits under this Schedule, the Qualifying Facility must be a hydroelectric or a generator fueled by trash or methane derived from landfills, solar, wind, hog or poultry waste-fueled or non-animal biomass-fueled Qualifying Facility with a Contract Capacity of two (2) megawatts or less, based on the nameplate rating of the generator, which are interconnected directly with the Company's system and which are Qualifying Facilities as defined by the Federal Energy Regulatory Commission pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978.

Capacity Credits are limited to Eligible Qualifying Facilities located within Company's service area that are classified as New Capacity in accordance with FERC Order No. 69 under Docket No. RM79-55 and interconnected to Company's transmission or distribution systems. Eligible Qualifying Facilities

receiving Capacity Credits under this Schedule shall also receive corresponding Energy Credits of like term as set forth in the “MONTHLY RATE” section of this schedule.

APPLICABILITY

This Schedule is applicable to all electric energy and capacity supplied by Eligible Qualifying Facility to Company at one point of delivery through Company's metering facilities.

MONTHLY RATE

Monthly Payment

Company shall pay Eligible Qualifying Facilities for energy and/or capacity furnished to Company at the Credits set forth below as applicable. Such payments shall be reduced by the Seller Charge, Integration Services Charge and any applicable Interconnection Cost. Payments to Qualifying Facilities with Contract Capacities of 10 kW or less shall only be made on a calendar year basis.

Seller Charge

An Eligible Qualifying Facility shall pay to Company a Seller Charge outlined below in accordance with the Contract Capacity specified in the Purchase Power Agreement between Company and Seller:

Monthly Seller Charge	\$8.05
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Integration Services Charge

Due to incremental operations costs incurred with intermittent generation resources, Seller shall pay an integration services charge (the “Integration Services Charge”), which currently applies only to solar photo-voltaic generation facilities. The Charge shall apply to solar photo-voltaic Eligible Qualifying Facilities that either establish a Legally Enforceable Obligation or renew, or otherwise extend, a Purchased Power Agreement on or after November 30, 2018, including all Sellers served under Variable rates. This Integration Services Charge shall be in the amount specified below and will be billed monthly based upon generated energy delivered to the Company.

Integration Services Charge:	\$0.00239 per kWh
------------------------------	-------------------

Energy and Capacity Credits

Eligible Qualifying Facilities eligible for Company's Fixed Long-Term and/or Variable Energy and Capacity Credits shall be paid based upon the Seller's interconnection with Company's distribution or transmission system for all energy delivered to Company's system as registered or computed from Company's metering facilities. The Energy and Capacity Credits will be in accordance with the length of rate term for energy sales so established in the Purchase Power Agreement. Company shall pay a Capacity Credit based on the on-peak kWh supplied by the Eligible Qualifying Facility based upon the season.

<u>Interconnected to Distribution</u>			<u>Interconnected to Transmission</u>		
<u>Variable</u>	<u>Fixed</u>	<u>Fixed</u>	<u>Variable</u>	<u>Fixed</u>	<u>Fixed</u>
<u>Rate</u>	<u>Long-</u>	<u>Long-</u>	<u>Rate</u>	<u>Long-</u>	<u>Long-</u>
	<u>Term Rate</u>	<u>Term Rate</u>		<u>Term Rate</u>	<u>Term Rate</u>
	<u>(5 years)</u>	<u>(10 years)</u>		<u>(5 years)</u>	<u>(10 years)</u>

Energy Credit (¢/kWh)¹

a. On-peak kWh Summer	3.60	3.29	3.31	3.51	3.22	3.24
On-peak kWh NonSummer						
1. Morning Hours	3.83	3.78	3.78	3.77	3.72	3.72
2. Evening Hours	3.44	3.32	3.40	3.39	3.27	3.35
b. Off-peak kWh Summer	2.95	2.74	2.71	2.91	2.71	2.68
Off-peak kWh NonSummer	2.77	2.58	2.49	2.74	2.55	2.46

Capacity Credits Based (¢/kWh)²

On-Peak kWh Winter Morning	5.94	9.66	11.15	5.82	9.48	10.94
On-peak kWh Winter Evening	2.54	4.14	4.78	2.50	4.06	4.69

¹ For Energy Credit purposes, Summer months are defined as calendar months May through September and NonSummer months are defined as calendar months October through April. Summer on-peak hours shall be Monday through Friday from 1:00 p.m. to 12:00 a.m. midnight. NonSummer on-peak hours shall be Monday through Friday with morning hours from 5:00 a.m. to 9:00 a.m. plus evening hours from 5:00 p.m. to 12:00 a.m. midnight. All other hours, plus the following holidays, shall be off-peak: New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and the day after, and Christmas Day. When a holiday falls on a Saturday, the Friday before the holiday will be considered off-peak; when the holiday falls on a Sunday, the following Monday will be considered off-peak.

² Capacity Credit shall be applicable in Winter months only, defined as the calendar months of December through March. Winter morning on-peak hours shall be all Winter days from 6:00 a.m. to 9:00 a.m. Winter evening on-peak hours shall be Winter days from 6:00 p.m. to 9:00 p.m. Capacity credits are not applicable in all other months.

POWER FACTOR CORRECTION

Unless Seller is required by an Operating Agreement to adjust VAR production to support voltage control, when Seller consumes VARs supplied by the Company or Seller delivers VARs to Company, the monthly bill will be increased by a sum equal to \$0.30 multiplied by the maximum consumed or supplied reactive kilovolt-amperes (kVAR) registered by a demand meter suitable for measuring the demand used during a 15-minute interval. The Company reserves the right to install facilities necessary for the measurement of power factor and to adjust the Interconnection Facilities Charge accordingly, solely at the option of the Company.

RATE UPDATES

The Credits and Seller Charge of this Schedule will be updated every two years. Sellers who have contracted for the Fixed Long-Term Energy and Capacity Credits will not be affected by updates in the Energy and Capacity Credits until their rate term expires. For all Qualifying Facilities selling to Company pursuant to the Variable Capacity Credit provisions of this schedule, such capacity credits shall be updated and changed in accordance with the Commission's revisions to such credits in Company's biennial avoided cost proceedings.

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with the Variable or Long-Term rates selected by Seller in Company's Schedule PP and the Terms and Conditions for the Purchase of Electric Power. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of the Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part of the Agreement as though fully written herein, and shall nullify any prior provision in conflict therewith. Any change to the Rate Schedule or Terms and Conditions shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges, and all non-rate provisions.

RENEWABLE ENERGY CREDITS

Unless otherwise specified in Company's agreements with Seller, the sale of power under this schedule does not convey to Company the right to renewable energy credits (RECs) or green tags associated with the energy delivered.

CONTRACT CAPACITY

The Contract Capacity shall be as specified in the Purchase Power Agreement between Company and Seller. Only one such Standard Contract shall be permitted for any Qualifying Facility.

PAYMENTS

Credit billings to Seller shall be payable to the Seller within fifteen (15) days of the date of the bill. Bills under this Schedule are due and payable on the date of the bill. Bills are past due and delinquent on the fifteenth day after the date of the bill. If any bill is not so paid, the Company has the right to suspend service. In addition, all bills not paid by the twenty-fifth day after the date of the bill shall be subject to a 1.5% late payment charge on the unpaid amount. This late payment charge shall be rendered on the following month's bill and it shall become part of and be due and payable with the bill on which it is rendered.

CONTRACT PERIOD

Each Seller shall enter into a Purchase Power Agreement which shall specify the Contract Capacity committed for delivery throughout the term of the contract and shall specify the initial term and associated rate.

INTERCONNECTION FACILITIES COSTS

For Eligible Qualifying Facilities, the installed costs for all facilities constructed or installed by Company to interconnect and safely operate in parallel with Seller's equipment shall be determined in accordance with Company's Terms and Conditions for the Purchase of Electric Power. When only the installation of Company's meter is required for the purchase of electric power, the \$25 minimum monthly Interconnection Facilities Charge shall not be applicable. Interconnection of the Seller's generation to the Company's system shall be in accordance with the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections.

Confidential DEP Application Exhibit 3

Duke Energy Progress, LLC

Supporting Calculations
(filed under seal)

PURCHASE POWER AGREEMENT

between

DUKE ENERGY PROGRESS, LLC

and

SELLER NAME

“Facility Name” Project

Initial Delivery Date: _____

**PURCHASE POWER AGREEMENT BY A
QUALIFYING COGENERATOR OR SMALL POWER PRODUCER**

THIS PURCHASE POWER AGREEMENT ("Agreement") is made this _____ day
of _____, 20____, by and between

DUKE ENERGY PROGRESS, LLC ("Company")

, and

a(n) _____ Corporation [insert place of formation] [insert entity type] ("Seller" ~~or~~
"Customer"), for the

" _____," **Project**

~~which~~ Seller hereby certifies that ~~the~~ Facility, as defined below, (is/is not) "new capacity," as
defined by the Federal Energy Regulatory Commission (FERC), and that construction of the Facility
(was/was not) commenced on or after November 9, 1978 and ~~that the Facility is or will be~~ a qualifying
facility as defined by the Federal Energy Regulatory Commission ("FERC") pursuant to Section 210
of the Public Utility Regulatory Policies Act of 1978 ~~and which is or will be a hydroelectric~~
~~generating facility owned and operated by a small power producer as defined in G.S. 62-3(27a)-~~
~~(if applicable)]~~. The Facility as defined herein (the "Facility") ~~consisting of~~
~~_____ (the "Facility"),~~
shall consist of that certain [insert description of the Facility including fuel type and Nameplate
Capacity rating in AC and DC] which is located at [insert facility address].

(Hereinafter, the parties are also referred to individually as a "Party" and collectively as the "Parties").

In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their
successors and assigns, do hereby agree to the following:

1. Service Requirements

1.1 Seller shall sell and deliver exclusively to Company all of the electric power generated by the
Facility, net of the Facility's own auxiliary electrical requirements, and Company shall
purchase, receive, use and pay for the same, subject to the conditions contained in this
Agreement. Upon the completion of the installation, by Company, of its system upgrades and
interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller
shall become responsible for the payment to Company of any and all charges that may apply,
whether or not Seller actually delivers any electricity to Company. If Seller requests standby,
back-up and/or maintenance power for the Facility's auxiliary electrical requirements from
Company, such power shall be provided to Supplier pursuant to a separate electric service
agreement under Company's rate tariffs appropriate for such service.

1.2 Electricity supplied by Seller shall be [*single (1)/three (3)*] phase, alternating at a frequency of approximately sixty (60) cycles, and at a delivery voltage of approximately _____ volts, _____ wires at a sufficient power factor to maintain system operating parameters as specified by Company.

1.3 Delivery of said Seller's power shall be at a point of delivery described as follows:

1.4 ~~Based upon the alternating current rating, the~~ Contract Capacity of ~~Seller's generating the facility~~ Facility, as defined in the Terms and Conditions for the Purchase of Electric Power is ~~_____ -AC kW/MW. The and estimated annual energy production of the Facility is _____ kWh is the amount Seller contracts to deliver to Company and Company agrees to receive.~~

2. Rate Schedule

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with Company's Purchased Power Schedule PP-____ [*Variable Rate*][*5-year Fixed Long-Term Rate*], [*10-year Fixed Long-Term Rate*]~~— for [Distribution][Transmission] Interconnection~~ ("Rate Schedule") and the Terms and Conditions for the Purchase of Electric Power, both of which are now on file with the Public Service Commission of South Carolina ("Commission"), and are hereby incorporated by reference and made a part hereof as though fully set forth herein. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of said Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part hereof as though fully written herein, and shall nullify any prior provision in conflict therewith.

The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges (e.g., administrative charges), Integration Services Charge, and all non-rate provisions.

3. Initial Delivery Date

The term of this Agreement shall be a minimum of 5 years when contracting for capacity payments and shall begin upon the first date when energy is generated by the Facility and delivered to Company, unless otherwise mutually agreed to by the Parties, and continuing for the term specified in the Rate Schedule paragraph above and shall automatically extend thereafter unless terminated by either party by giving not less than thirty (30) days prior written notice. ~~The Any automatic extension of this Agreement~~ will be at the Variable Rates in effect at the time of extension. Unless otherwise mutually agreed to by the Parties, ~~the~~ term shall begin no earlier than the date Company's Interconnection Facilities are installed and are ready to accept electricity from Seller which is requested to be _____, 20____. Company at its sole discretion may terminate this Agreement on _____, 20____ (30 months following the date of the order initially approving the rates selection shown above which may be extended beyond 30 months if construction is nearly complete and the Seller demonstrates

that it is making a good faith effort to complete its project in a timely manner) if Seller is unable to provide generation capacity and energy production consistent with the energy production levels specified in Provision No. 2-1.4 above. ~~This date may be extended by upon mutual agreement by both parties.~~

4. Interconnection Facilities

Unless otherwise required by Company, an Interconnection Agreement pursuant to the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections to interconnect shall be executed by Seller, including any applicable payments of all charges and fees associated with the interconnection, before Company will accept this Agreement. *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)*
 (a) -The Interconnection Facilities Charge shall be specified in the Interconnection Agreement.
 or -(b) The Interconnection Facilities Charge shall be 2.01.1% of the installed cost of metering and other equipment and is \$_____ per month.

5. Reporting Requirements

Upon request, facilities ~~larger than 3,000 kW~~ may be required to provide prior notice of annual, monthly, and day-ahead forecast of hourly production, as specified by the Company. If the Seller is required to notify the Company of planned or unplanned outages, notification should be made as soon as known. Seller shall include the start time, the time for return to service, the amount of unavailable capacity, and the reason for the outage.

Upon the ~~acceptance hereof~~ execution by Company and Seller, ~~evidenced by the signature of its Presidents, Vice Presidents or Authorized Representatives~~ in the block provided below, this ~~document Agreement~~ together with attachments shall become an agreement for Seller to deliver and sell to Company and for Company to receive and purchase from Seller the electricity generated and delivered to Company ~~declared~~ by Seller from its-the above-described qualifying generating facility at the rates, in the quantities, for the term, and upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	By _____
_____	Printed: _____
Printed: _____	Title _____
	This ____ day of _____, 20____

ACCEPTED: DUKE ENERGY PROGRESS, LLC

Mail Payment/Bill to:

By _____	_____
Title _____	_____
This ____ day of _____, 20____	_____

PURCHASE POWER AGREEMENT

between

DUKE ENERGY PROGRESS, LLC

and

SELLER NAME

“Facility Name” Project

Initial Delivery Date: _____

**PURCHASE POWER AGREEMENT BY A
QUALIFYING COGENERATOR OR SMALL POWER PRODUCER**

1 **THIS PURCHASE POWER AGREEMENT** ("Agreement") is made this _____ day
2 of _____, 20____, by and between

3
4
5 **DUKE ENERGY PROGRESS, LLC** ("Company")

6
7 , and

8
9 _____,
10
11 a(n) [*insert place of formation*] [*insert entity type*] ("Seller"), for the

12
13 "_____," **Project**

14
15 Seller hereby certifies that the Facility, as defined below, (is/is not) "new capacity," as defined by the
16 Federal Energy Regulatory Commission (FERC), and that construction of the Facility (was/was not)
17 commenced on or after November 9, 1978 and that the Facility is a qualifying facility as defined by
18 the Federal Energy Regulatory Commission ("FERC") pursuant to Section 210 of the Public Utility
19 Regulatory Policies Act of 1978. The Facility as defined herein (the "Facility"), shall consist of that
20 certain [*insert description of the Facility including fuel type and Nameplate Capacity rating in AC*
21 *and DC*] which is located at [*insert facility address*].
22

23 (Hereinafter, the parties are also referred to individually as a "Party" and collectively as the "Parties").

24
25 In consideration of the mutual covenants herein contained, the Parties hereto, for themselves, their
26 successors and assigns, do hereby agree to the following:
27

28 **1. Service Requirements**

29
30 1.1 Seller shall sell and deliver exclusively to Company all of the electric power generated by the
31 Facility, net of the Facility's own auxiliary electrical requirements, and Company shall
32 purchase, receive, use and pay for the same, subject to the conditions contained in this
33 Agreement. Upon the completion of the installation, by Company, of its system upgrades and
34 interconnection facilities at the point of delivery of Seller's and Company's conductors, Seller
35 shall become responsible for the payment to Company of any and all charges that may apply,
36 whether or not Seller actually delivers any electricity to Company. If Seller requests standby,
37 back-up and/or maintenance power for the Facility's auxiliary electrical requirements from
38 Company, such power shall be provided to Supplier pursuant to a separate electric service
39 agreement under Company's rate tariffs appropriate for such service.
40

41 1.2 Electricity supplied by Seller shall be [*single (1)/three (3)*] phase, alternating at a frequency of
42 approximately sixty (60) cycles, and at a delivery voltage of approximately _____
43 volts, _____ wires at a sufficient power factor to maintain system operating parameters as
44 specified by Company.
45

1.3 Delivery of said Seller's power shall be at a point of delivery described as follows:

1.4 The Contract Capacity of the Facility, as defined in the Terms and Conditions for the Purchase of Electric Power is _____-AC kW/MW. The estimated annual energy production of the Facility is _____ kWh.

2. Rate Schedule

The sale, delivery, and use of electric power hereunder, and all services of whatever type to be rendered or performed in connection therewith, shall in all respects be subject to and in accordance with Company's Purchased Power Schedule PP-____ [*Variable Rate*][*5-year Fixed Long-Term Rate*], [*10-year Fixed Long-Term Rate*] for [*Distribution*][*Transmission*][*Interconnection*] ("Rate Schedule") and the Terms and Conditions for the Purchase of Electric Power, both of which are now on file with the Public Service Commission of South Carolina ("Commission"), and are hereby incorporated by reference and made a part hereof as though fully set forth herein. Said Rate Schedule and Terms and Conditions for the Purchase of Electric Power are subject to change, revision, alteration or substitution, either in whole or in part, upon order of said Commission or any other regulatory authority having jurisdiction, and any such change, revision, alteration or substitution shall immediately be made a part hereof as though fully written herein, and shall nullify any prior provision in conflict therewith.

The language above beginning with "Said Rate Schedule" shall not apply to the Fixed Long-Term Rates themselves, but it shall apply to all other provisions of the Rate Schedule and Terms and Conditions for the Purchase of Electric Power, including but not limited to Variable Rates, other types of charges (e.g., administrative charges), Integration Services Charge, and all non-rate provisions.

3. Initial Delivery Date

The term of this Agreement shall be a minimum of 5 years when contracting for capacity payments and shall begin upon the first date when energy is generated by the Facility and delivered to Company, unless otherwise mutually agreed to by the Parties, and continuing for the term specified in the Rate Schedule paragraph above and shall automatically extend thereafter unless terminated by either party by giving not less than thirty (30) days prior written notice. Any automatic extension of this Agreement will be at the Variable Rates in effect at the time of extension. Unless otherwise mutually agreed to by the Parties, the term shall begin no earlier than the date Company's Interconnection Facilities are installed and are ready to accept electricity from Seller which is requested to be _____, 20____. Company at its sole discretion may terminate this Agreement on _____, 20____ (30 months following the date of the order initially approving the rates selection shown above which may be extended beyond 30 months if construction is nearly complete and the Seller demonstrates that it is making a good faith effort to complete its project in a timely manner) if Seller is unable to provide generation capacity and energy production consistent with the energy production levels specified in Provision No. 1.4 above.

95 **4. Interconnection Facilities**

96
97 Unless otherwise required by Company, an Interconnection Agreement pursuant to the South
98 Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional
99 Interconnections shall be executed by Seller, including any applicable payments of all charges
100 and fees associated with the interconnection, before Company will accept this Agreement.
101 *(Either sentence (a) or (b) as follows is inserted into the agreement as appropriate)* (a) The
102 Interconnection Facilities Charge shall be specified in the Interconnection Agreement. or (b)
103 The Interconnection Facilities Charge shall be 1.1% of the installed cost of metering and other
104 equipment and is \$_____ per month.

105
106 **5. Reporting Requirements**

107
108 Upon request, facilities may be required to provide prior notice of annual, monthly, and day-
109 ahead forecast of hourly production, as specified by the Company. If the Seller is required to
110 notify the Company of planned or unplanned outages, notification should be made as soon as
111 known. Seller shall include the start time, the time for return to service, the amount of
112 unavailable capacity, and the reason for the outage.

113
114 Upon the execution by Company and Seller in the block provided below, this Agreement together
115 with attachments shall become an agreement for Seller to deliver and sell to Company and for
116 Company to receive and purchase from Seller the electricity generated and delivered to Company by
117 Seller from the above described qualifying generating facility at the rates, in the quantities, for the
118 term, and upon the terms and conditions set forth herein.

Witness as to Seller:

_____	_____, Seller
Printed: _____	By _____
_____	Printed: _____
Printed: _____	Title _____
	This ____ day of _____, 20____

ACCEPTED: DUKE ENERGY PROGRESS, LLC

Mail Payment/Bill to:

By _____	_____
Title _____	_____
This ____ day of _____, 20____	_____

Duke Energy Progress, LLC
(South Carolina)

SC Terms & Conditions (Effective 11/30/2018)
Supersedes SC Terms & Conditions (Effective 1/1/2017)

Duke Energy Progress, LLC
(South Carolina)

C-2

TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

1. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Progress, LLC, hereafter called "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in the Purchased Power Schedule PP. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by Company to Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) Company's form of Purchase Power Agreement when signed by Seller and accepted by Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase ~~Power~~ Agreement between Company and Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, ~~without subject to the prior written approval of Company. Company will grant such approval upon being reasonably satisfied that the assignee will fulfill the terms of the Agreement and if, at the Company's option, a satisfactory guarantee for the payment of any applicable bills is furnished by assignee.~~ A Purchase Power Agreement shall not be transferred and assigned by Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility, the Seller shall, in addition to obtaining the approvals hereof,

provide a minimum of 30 days prior written notice advising Company of any plans for such an assignment, sale or transfer.

- (g) Suspension of Sales Under Agreement at Seller's Request - If Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises, Company will, upon written request of Seller, and for a period Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.
- (h) Termination of Agreement at Seller's Request - If Seller desires to terminate the Agreement, Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection aAgreement-to interconnect, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. Company may waive the foregoing provision if Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to Company for the delivery of electricity to Company for a term not less than the unexpired portion of Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from Seller based on any of the following: (1) ~~for~~ any default or breach of the Agreement by Seller, (2) ~~for any~~ fraudulent or unauthorized use of Company's meter, (3) ~~for~~ failure to pay any applicable bills when due and payable, (4) any material modification to the Facility without the Company's consent or otherwise delivering energy in excess of the estimated annual energy production of the Facility, (5) for any condition on Seller's side of the point of delivery actually known by Company to be, or which Company reasonably anticipates may be, dangerous to life or property, or ~~(5) Seller fails to deliver energy to Company for six (6) consecutive months due to Seller's inability to deliver to Company the quality and/or quantity of electricity mutually agreed to in the Purchase Agreement~~ Termination of the Agreement shall be at Company's sole option and is only appropriate when Seller either cannot or will not cure its default.

No such termination or suspension, however, will be made by Company without written notice delivered to Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1-(i)(2) or 1(i)(5) above. Company shall give Seller a minimum of thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1-(i)(1), 1(i)(3)-(4), and (5). Company shall give Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1-(i)(~~4~~6).

Failure of Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve Seller of Seller's liability to compensate Company for services and/or facilities supplied, nor shall it relieve Seller (1) of Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) Company is not obligated to purchase electricity from Seller unless and until: (1) Company's form of Purchase Power Agreement is executed by Seller and accepted by Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from Seller, Seller conveys or causes to be conveyed to Company, without cost to Company, a right-of-way easement, satisfactory to Company, across such private property which will provide for the construction, maintenance, and operation of Company's lines and facilities, necessary to receive electricity from Seller; provided, however, in the absence of a formal conveyance, Company nevertheless, shall be vested with an easement over Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to Company. Where not required by law, an inspection by a Company-approved inspector shall be made at Seller's expense. In the event Seller is unable to secure such necessary rights of way, Seller shall reimburse Company for all costs Company may incur for the securing of such rights of way.

The obligation of Company in regard to service under the Agreement are dependent upon Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. Company shall not be liable to any Seller in the event Company is delayed or prevented from purchasing power by Company failure to secure and retain such rights-of-way, privileges, franchises, and permits.

- (b) Seller shall operate its Facility in compliance with all: (i) system operator instructions provided by Company, including any energy storage protocols provided if applicable; (ii) applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and (iii) the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) Seller shall submit an Interconnection Request to interconnect as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections. Company shall not be required to install facilities to support interconnection of Seller's generation or execute the Purchase Power Agreement until Seller has signed an Interconnection Agreement to interconnect as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections, as may be required by Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless Company is reimbursed for such expense by Sellers or customers connected thereto, or (2) the right of Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's kW_{AC} nameplate rated output capability of the Facility as measured at the delivery point specified in AC generator. For multi-unit generator facilities, the "Nameplate Capacity" of the ~~facility~~ Facility shall be the sum of the individual manufacturer's kW_{AC} nameplate rated output capabilities of the generators. The Nameplate Capacity shall also include the DC rating of the Facility. For inverted based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters. The Nameplate Capacity shall also include the DC rating of the Facility.

Duke Energy Progress, LLC
(South Carolina)

SC Terms & Conditions (Effective 11/30/2018)
Supersedes SC Terms & Conditions (Effective 1/1/2017)

~~(b) Net Capacity: The term "Net Capacity" shall mean the Nameplate Capacity of the Seller's generating facilities, less the portion of that capacity needed to serve the generating facilities' Auxiliary Load.~~

~~(e)~~(b) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the ~~facility~~ Facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).

~~(d)~~(c) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to Company by Seller from the Facility.

~~(e)~~(d) The term "Company's conductors" shall mean Company's wires extending from the point of connection with Company's existing electric system to the point of delivery.

~~(f)~~(e) The term "Seller's conductors" shall mean Seller's wires extending from the point of delivery to the switch box or other point where Seller's circuits connect for the purpose of supplying the electricity produced by Seller.

(f) The term "interconnection" shall mean the connection of Company's conductors to Seller's conductors.

(g) The term "Facility" shall have the meaning specified in the Purchase Power Agreement.

4. CONTRACT CAPACITY

(a) The Contract Capacity shall be ~~the kW of capacity as~~ specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, ~~without consuming VARs supplied by Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to Company during any billing period.~~ ~~In cases where any change is required in Company's facilities due to the actual capacity delivered exceeding the Contract Capacity or due to Seller requesting an increase in the capacity of Company's facilities, Company may require Seller to execute a new Agreement or amend an existing Agreement, thereby establishing a new Contract Capacity. If Company's facilities cannot be upgraded to accept such actual or requested increase, then upon written notice, Seller shall not exceed the existing Contract Capacity or deliver energy in excess of the estimated annual energy production of the Facility unless and until the increase has been agreed to in an amendment executed by Company and Seller and Seller's facilities have been upgraded to accept the actual or requested increase as may be required by Company in its sole discretion such amount in excess thereof as Company determine it is able to accept.~~

(b) Seller shall not change ~~its generating~~ the Contract capacity Capacity or contracted estimated annual kWh energy production without adequate notice to Company, and without receiving Company's prior written consent, and such unauthorized increase causes loss of or damage to Company's facilities, the cost of making good such loss or repairing such damage shall be paid by Seller.

(c) Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of Seller's generating facility or annual energy production will deviate from contracted or established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.

(d) Any material modification to the Facility, including without limitation, a change in the AC or DC output capacity of the Facility or the addition of energy storage capability shall require the prior written consent of Company, which may be withheld in Company's sole discretion, and shall not be effective until memorialized in an amendment executed by Company and Seller. ~~In the event that the~~

Duke Energy Progress, LLC
(South Carolina)

SC Terms & Conditions (Effective 11/30/2018)
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~~Contract Capacity is terminated, in whole or in part, prior to the completion of the term of the Agreement, the Seller shall pay to Company a penalty as set forth in paragraph 6, below.~~

5. CONTRACT ESTIMATED ANNUAL ENERGY PRODUCTION

The ~~estimated annual energy production from the Facility~~~~Contract Energy~~ specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY OR CONTRACT ENERGY

(b) ~~(a)~~ Early Contract Termination - If Seller terminates the Agreement ~~or if the Agreement is terminated by Company as permitted in Section 1(i)~~ prior to the expiration of the initial (or extended) term of the Purchase Agreement, ~~the following payment shall be made to Company by Seller: Early Contract Termination~~, Seller shall pay to Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

(a)

(b) Increase In Contract Capacity - Seller may apply to Company to increase the Contract Capacity during the Contract Period and, upon approval by Company and an amendment to implement the change has been executed by Company and Customer, ~~future~~ Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in additional costs associated with redesign or a resizing of Company's facilities, such additional costs to Seller shall be determined in accordance ~~with the Interconnection A agreement to interconnect.~~ Notwithstanding the foregoing, Company shall not be obligated to accept any increase in Contract Capacity under the rates and terms of the existing Agreement, and, in the Company's sole discretion, may require Seller to enter into a new Power Purchase Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by the Commission.

8. QUALITY OF ENERGY RECEIVED

- (a) Seller has full responsibility for the routine maintenance of ~~his-its~~ generating and protective equipment to insure that reliable, utility grade electric energy is being delivered to Company.
- (b) ~~Seller's~~ The Facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) Seller may operate direct current generators in parallel with Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system. Harmonics generated by a DC generator-inverter combination must not adversely affect Company's supply of electric service to, or the use of electric service by Company's other customers, and any correction thereof is the full responsibility of Seller.

- (d) In the event Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by Company.
- (e) All material modifications to the Facility shall require the prior written consent from Company, and Seller shall provide Company written notification of any ~~material-requested~~ changes to their Facility-generation system, support equipment such as inverters, or interconnection facilities as soon as reasonably possible to allow and shall provide Company adequate time to review such requested changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of Seller to comply with either (a), (b), (c), (d) or (e) above will constitute grounds for Company to cease parallel operation with Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1, above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If Company is unable to read its purchase meter for any reason, Seller's production may be estimated by Company on the basis of Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.
- (c) The term "Month" or "Monthly", as used in Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company, except that if the period covered by an initial or final bill, or due to rerouting of the meter reading schedule, is more than 34 or less than 28 days, the bill will be prorated based on a 30-day billing month.
- (d) Payments for capacity and/or energy will be made to Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) Company reserves the right to set off against any amounts due from the Company to Seller, any amounts which are due from Seller to Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement to interconnect or past due balances on any accounts Seller has with Company for other services. ~~Company shall include a written description of any amounts setoff due from Company to Seller in the applicable monthly bill.~~

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the Facility); copies of this Agreement. The Company will not provide any information developed solely by Seller and designated by Seller in writing to be "proprietary" unless ~~expressly~~ required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify Seller prior to supplying the proprietary information. ~~The Company will provide the proprietary information under the applicable procedures of the Commission, the FERC or other regulatory body or court for the submission of proprietary and confidential information, but shall not be required to otherwise defend or support the designation of the information as proprietary. Any and all support,~~

~~defense or justification of the designation of the information as proprietary shall be the sole and exclusive responsibility of Seller.~~

Seller shall provide to Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power delivered to Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to Seller, or Seller shall refund to Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where Company's conductors are, or are to be, connected to Seller's conductors. Seller shall do all things necessary to bring its conductors to such point of delivery for connection to Company's conductors, and shall maintain said conductors in good order at all times. If Seller chooses to deliver power to Company through a point of delivery where Seller presently receives power from Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

~~Unless otherwise addressed in a separate agreement to interconnect, If Seller is not subject to the terms and conditions of the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections as approved in Docket No. 2015-362-E, the following conditions shall apply to Interconnection Facilities necessary to deliver Seller's electricity to Company. Otherwise the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections in Docket No. 2015-362-E govern.~~

- (a) By Company: Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to Company, though such meter may be located on Seller's side of the point of delivery. Interconnection facilities, installed by either Company or Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by Company necessary to receive power from Seller shall be considered extra facilities and shall be provided, if Company finds it practicable, under the following conditions:

- (1) The facilities will be of a kind and type normally used by or acceptable to Company and will be installed at a place and in a manner satisfactory to Company.
- (2) Seller will pay to Company a Monthly Interconnection Facilities Charge of 1.1 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to

the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.

- (3) If Company increases its investment, other than replacement of existing equipment with equipment of equal capacity and kind, in interconnection facilities or other special facilities required by Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the interconnection facilities will be adjusted at that time. Seller may terminate the interconnection facilities in accordance with the applicable termination paragraph 1 above, or continue the interconnection facilities under the changed conditions.
 - (4) In lieu of the Monthly Interconnection Facilities Charge of 1.1 percent, Seller may elect to make a contribution equal to the total interconnection facilities investment, plus associated tax gross-ups. After such payment, the Monthly Interconnection Facilities Charge for the interconnection facilities will be 0.3 percent of said payment.
 - (5) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until Seller no longer has need for such facilities. In the event Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
 - (6) Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of Company's standard metering equipment or other equipment deemed necessary by Company for the metering of Seller's electrical output. Company shall, at its expense, be permitted to install, in Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.
 - (7) Company shall furnish and install the Interconnection Facilities no later than the date requested by Seller for such installation. Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested in-service date that such specified in the Interconnection Agreement or (2) the date where energy is generated and delivered to the Company Facilities become operational, except as provided in Paragraph 3.4 hereof, and such charges shall apply at all times thereafter during the term of this Agreement, whether or not Seller is actually supplying electric power to Company.
- (b) By Seller: Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of Company's meter and meter transformers, on Seller's side of the point of delivery. Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on Seller's side of the point of delivery. Seller must conform to the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections ~~any State-approved interconnection requirements~~. Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. Company's meter may be located on Seller's side of the point of delivery, and when it is to be so located, Seller must make suitable provisions in Seller's wiring, at a place suitable to Company, for the convenient installation of the type of meter Company will use. All of Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.

Seller shall install and maintain devices adequate to protect Seller's equipment against irregularities on Company's system, including devices to protect against single-phasing. Seller shall also install and maintain such devices as may be necessary to automatically disconnect

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Seller's generating equipment, which is operated in parallel with Company, when service provided by Seller is affected by electrical disturbances on Company's or Seller's systems, or at any time when Company's system is de-energized from its prime source.

- (c) Access to Premises: The duly authorized agents of Company shall have the right of ingress and egress to the premises of Seller at all reasonable hours for the purpose of reading meters, inspecting Company's wiring and apparatus, changing, exchanging, or repairing Company's property on the premises of Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: Seller shall protect Company's wiring and apparatus on Seller's premises and shall permit no one but Company's agents to handle same. In the event of any loss of or damage to such property of Company caused by or arising out of carelessness, neglect, or misuse by Seller or Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by Seller. In cases where Company's service facilities on Seller's premises require abnormal maintenance due to Seller's operation, Seller shall reimburse Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. ~~Each Party~~~~They~~ shall at all times use reasonable diligence ~~at all times~~ to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse event and/or condition or disturbance on Company's system, or on any other system directly or indirectly interconnected with it, which requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into Company's electrical system in order to limit the occurrence of or extent or damage of the adverse condition or disturbance to Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety
- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from Seller's premises would endanger persons or property.

Seller shall be responsible for promptly taking all actions requested or required by Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and

in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

Seller shall be responsible for insuring the safe operation of ~~his~~its equipment at all times, and will install and maintain, to Company's satisfaction, the necessary automatic equipment to prevent the back feed of power into, or damage to Company's de-energized system, and shall be subject to immediate disconnection of its equipment from Company's system if Company determines that such equipment is unsafe or adversely affects Company's transmission/distribution system or service to its other customers.

Seller assumes responsibility for and shall indemnify, defend, and save Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to Seller or Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;
- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

Seller shall obtain and retain, for as long as the generation is interconnected with Company's system, either the applicable home~~owner's~~ insurance policy with liability coverage of at least \$100,000 per occurrence or the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects Seller from claims for bodily injury

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and/or property damage. This insurance shall be primary for all purposes. Seller shall provide certificates evidencing this coverage as required by Company. Company reserves the right to refuse to establish, or continue the interconnection of Seller's generation with Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by Seller to Company upon Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by Company, from Seller, are subject to changes, restrictions, curtailments, or complete suspensions by Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.

~~Supersedes: July 1, 2016~~

~~Effective: January 1, 2017~~

~~Docket No. 2016-227-E, Order No. 2016-871~~

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TERMS AND CONDITIONS FOR THE PURCHASE OF ELECTRIC POWER

1. PURCHASE POWER AGREEMENT

These "Terms and Conditions" provide a mechanism through which Duke Energy Progress, LLC, hereafter called "Company," will agree to purchase energy or capacity or both from an Eligible Qualifying Facility as defined in the Purchased Power Schedule PP. This Purchase Power Agreement is solely for the purchase of electricity produced by Seller's generation, net of generator auxiliary requirement, and does not provide for the sale of any electric service by Company to Seller.

- (a) Description - The Purchase Power Agreement (hereinafter sometimes termed "Agreement") shall consist of (1) Company's form of Purchase Power Agreement when signed by Seller and accepted by Company, (2) the applicable Schedule for the purchase of electricity as specified in the Purchase Power Agreement, and (3) these Terms and Conditions for the Purchase of Electric Power (hereinafter referred to as "Terms and Conditions"), and all changes, revisions, alterations therein, or substitutions therefor lawfully made.
- (b) Application of Terms and Conditions and Schedules - All Purchase Agreements in effect at the effective date of this tariff or that may be entered into in the future, are made expressly subject to these Terms and Conditions, and subject to all applicable Schedules as specified in the Purchase Power Agreement, and any changes therein, substitutions thereof, or additions thereto lawfully made, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract or by order of the state regulatory authority having jurisdiction (hereinafter "Commission").
- (c) Conflicts - In case of conflict between any provision of a Schedule and of these Terms and Conditions, the provision of the Schedule shall prevail.
- (d) Waiver - The failure of either Party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a waiver or relinquishment of any such terms or conditions, but the same shall be and remain at all times in full force and effect.
- (e) Assignment of Agreement - A Purchase Power Agreement between Company and Seller may not be transferred and assigned by Seller to any person, firm, or corporation purchasing or leasing and intending to continue the operation of the plant or business which is interconnected under such Agreement, without the prior written approval of Company. A Purchase Power Agreement shall not be transferred and assigned by Seller to any person, firm, or corporation that is party to any other purchase agreement under which a party sells or seeks to sell power to the Company from another Qualifying Facility that is located within one-half mile, as measured from the electrical generating equipment. Company will not unreasonably withhold consent provided that such assignment does not require any amendment to the terms and conditions of this Agreement, other than the notice provision thereof. Any assignment that Company has not approved in writing shall be null and void and not effective for all purposes. However, before such rights and obligations are assigned, the assignee must first obtain necessary approval from all regulatory bodies including, but not limited to, the Commission.
- (f) Notification of Assignment, Transfer or Sale - In the event of an assignment of the rights and obligations accruing to Seller under this Agreement, or in the event of any contemplated sale, transfer or assignment of the Facility, the Seller shall, in addition to obtaining the approvals hereof, provide a minimum of 30 days prior written notice advising Company of any plans for such an assignment, sale or transfer.
- (g) Suspension of Sales Under Agreement at Seller's Request - If Seller is temporarily unable to produce the electricity contracted for due to physical destruction of, or damage to, his premises,

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Company will, upon written request of Seller, and for a period Company deems as reasonably required to replace or repair such premises, suspend billing under the Agreement, exclusive of any Monthly Facilities Charges, effective with the beginning of the next sales period.

- (h) Termination of Agreement at Seller's Request - If Seller desires to terminate the Agreement, Company will agree to such termination if all bills for services previously rendered to Seller including any termination or other charges applicable under any Interconnection Agreement, plus any applicable termination charges, have been paid. Termination charges shall consist of any applicable termination charges for premature termination of capacity as set forth in paragraphs 4 and 6 of these Terms and Conditions. Company may waive the foregoing provision if Company has secured or expects to secure from a new occupant or operator of the premises an Agreement satisfactory to Company for the delivery of electricity to Company for a term not less than the unexpired portion of Seller's Agreement.
- (i) Company's Right to Terminate or Suspend Agreement - Company, in addition to all other legal remedies, may either terminate the Agreement or suspend purchases of electricity from Seller based on any of the following: (1) any default or breach of the Agreement by Seller, (2) any fraudulent or unauthorized use of Company's meter, (3) failure to pay any applicable bills when due and payable, (4) any material modification to the Facility without the Company's consent or otherwise delivering energy in excess of the estimated annual energy production of the Facility, (5) any condition on Seller's side of the point of delivery actually known by Company to be, or which Company reasonably anticipates may be, dangerous to life or property, or (6) Seller fails to deliver energy to Company for six (6) consecutive months. Termination of the Agreement shall be at Company's sole option and is only appropriate when Seller either cannot or will not cure its default.

No such termination or suspension, however, will be made by Company without written notice delivered to Seller, personally or by mail, stating what in particular in the Agreement has been violated, except that no notice need to be given in instances set forth in 1(i)(2) or 1(i)(5) above. Company shall give Seller a minimum of thirty (30) calendar days prior written notice before suspending or terminating the Agreement pursuant to provisions 1(i)(1), 1(i)(3)-(4). Company shall give Seller five (5) calendar days prior written notice before suspending or terminating the Agreement pursuant to provision 1(i)(6).

Failure of Company to terminate the Agreement or to suspend the purchase of electricity at any time after the occurrence of grounds therefor, or to resort to any other legal remedy or to exercise any one or more of such alternative remedies, shall not waive or in any manner affect Company's right later to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

Any suspension of the purchase of electricity by Company or termination of the Agreement upon any authorized grounds shall in no way operate to relieve Seller of Seller's liability to compensate Company for services and/or facilities supplied, nor shall it relieve Seller (1) of Seller's liability for the payment of minimum monthly charges during the period of suspension, nor (2) of Seller's liability for damages, if the Agreement has been terminated, in the amount of (a) the minimum monthly charges which would have been payable during the unexpired term of the Agreement plus (b) the Early Contract Termination charge as set forth in these Terms and Conditions.

2. CONDITIONS OF SERVICE

- (a) Company is not obligated to purchase electricity from Seller unless and until: (1) Company's form of Purchase Power Agreement is executed by Seller and accepted by Company; (2) in cases where it is necessary to cross private property to accept delivery of electricity from Seller, Seller conveys or causes to be conveyed to Company, without cost to Company, a right-of-way easement, satisfactory to Company, across such private property which will provide for the construction,

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maintenance, and operation of Company's lines and facilities, necessary to receive electricity from Seller; provided, however, in the absence of a formal conveyance, Company nevertheless, shall be vested with an easement over Seller's premises authorizing it to do all things necessary including the construction, maintenance, and operation of its lines and facilities for such purpose; and (3) any inspection certificates or permits that may be required by law in the local area are furnished to Company. Where not required by law, an inspection by a Company-approved inspector shall be made at Seller's expense. In the event Seller is unable to secure such necessary rights of way, Seller shall reimburse Company for all costs Company may incur for the securing of such rights of way.

The obligation of Company in regard to service under the Agreement are dependent upon Company securing and retaining all necessary rights-of-way, privileges, franchises, and permits, for such service. Company shall not be liable to any Seller in the event Company is delayed or prevented from purchasing power by Company failure to secure and retain such rights-of-way, privileges, franchises, and permits.

- (b) Seller shall operate its Facility in compliance with all: (i) system operator instructions provided by Company, including any energy storage protocols provided if applicable; (ii) applicable operating guidelines established by the North American Electric Reliability Corporation ("NERC") and (iii) the SERC Reliability Corporation ("SERC") or any successor thereto.
- (c) Seller shall submit an Interconnection Request as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections. Company shall not be required to install facilities to support interconnection of Seller's generation or execute the Purchase Power Agreement until Seller has signed an Interconnection Agreement as set forth in the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections, as may be required by Company.
- (d) If electricity is received through lines which cross the lands of the United States of America, a state, or any agency or subdivision of the United States of America or of a state, Company shall have the right, upon 30 days' written notice, to discontinue receiving electricity from any Seller or Sellers interconnected to such lines, if and when (1) Company is required by governmental authority to incur expenses in the relocation or the reconstruction underground of any portion of said lines, unless Company is reimbursed for such expense by Sellers or customers connected thereto, or (2) the right of Company to maintain and operate said lines is terminated, revoked, or denied by governmental authority for any reason.

3. DEFINITIONS

- (a) Nameplate Capacity: The term "Nameplate Capacity" shall mean the manufacturer's kW_{AC} nameplate rated output capability of the Facility as measured at the delivery point specified in AC. For multi-unit generator facilities, the "Nameplate Capacity" of the Facility shall be the sum of the individual manufacturer's KW_{AC} nameplate rated output capabilities of the generators. The Nameplate Capacity shall also include the DC rating of the Facility. For inverted based generating facilities, the "Nameplate Capacity" shall be the manufacturer's rated kW_{AC} output on the inverters. The Nameplate Capacity shall also include the DC rating of the Facility.
- (b) Auxiliary Load: The term "Auxiliary Load" shall mean power used to operate auxiliary equipment in the Facility necessary for power generation (such as pumps, blowers, fuel preparation machinery, and exciters).
- (c) Whenever the term "purchase" or "purchase of electricity" is used in these Terms and Conditions or other portions of the Agreement, it shall be construed to refer to the electricity supplied to Company by Seller from the Facility.

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- (d) The term "Company's conductors" shall mean Company's wires extending from the point of connection with Company's existing electric system to the point of delivery.
- (e) The term "Seller's conductors" shall mean Seller's wires extending from the point of delivery to the switch box or other point where Seller's circuits connect for the purpose of supplying the electricity produced by Seller.
- (f) The term "interconnection" shall mean the connection of Company's conductors to Seller's conductors.
- (g) The term "Facility" shall have the meaning specified in the Purchase Power Agreement.

4. CONTRACT CAPACITY

- (a) The Contract Capacity shall be as specified in the Purchase Power Agreement and shall not exceed the capacity specified in the Seller's Interconnection Agreement. . This term shall mean the maximum continuous electrical output capability expressed on an alternating current basis of the generator(s) at any time, at a power factor of approximately unity, without consuming VARs supplied by Company, as measured at the Point of Delivery and shall be the maximum kW_{AC} delivered to Company during any billing period. Seller shall not exceed the existing Contract Capacity or deliver energy in excess of the estimated annual energy production of the Facility unless and until the increase has been agreed to in an amendment executed by Company and Seller and Seller's facilities have been upgraded to accept the actual or requested increase as may be required by Company in its sole discretion.
- (b) Seller shall not change the Contract Capacity or contracted estimated annual kWh energy production without adequate notice to Company, and without receiving Company's prior written consent, and such unauthorized increase causes loss of or damage to Company's facilities, the cost of making good such loss or repairing such damage shall be paid by Seller.
- (c) Company may require that a new Contract Capacity be determined when it reasonably appears that the capacity of Seller's generating facility or annual energy production will deviate from contracted or established levels for any reason, including, but not limited to, a change in water flow, steam supply, or fuel supply.
- (d) Any material modification to the Facility, including without limitation, a change in the AC or DC output capacity of the Facility or the addition of energy storage capability shall require the prior written consent of Company, which may be withheld in Company's sole discretion, and shall not be effective until memorialized in an amendment executed by Company and Seller.

5. ESTIMATED ANNUAL ENERGY PRODUCTION

The estimated annual energy production from the Facility specified in the Purchase Power Agreement shall be the estimated total annual kilowatt-hours registered or computed by or from Company's metering facilities for each time period during a continuous 12-month interval.

6. EARLY CONTRACT TERMINATION OR INCREASE IN CONTRACT CAPACITY OR CONTRACT ENERGY

- (a) Early Contract Termination - If Seller terminates the Agreement or if the Agreement is terminated by Company as permitted in Section 1(i) prior to the expiration of the initial (or extended) term of the Purchase Agreement, Seller shall pay to Company the total Energy and/or Capacity credits received in excess of the sum of what would have been received under the Variable Rate for Energy and/or Capacity Credits applicable at the initial term of the contract period and as updated every two years, plus interest. The interest should be the weighted average rate for new debt issued by the Company in the calendar year previous to that in which the Agreement was commenced.

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- (b) Increase in Contract Capacity – Seller may apply to Company to increase the Contract Capacity during the Contract Period and, upon approval by Company and an amendment to implement the change has been executed by Company and Customer, future Monthly Delivered Capacities shall not exceed the revised Contract Capacity. If such increase in Contract Capacity results in additional costs associated with redesign or a resizing of Company's facilities, such additional costs to Seller shall be determined in accordance with the Interconnection Agreement. Notwithstanding the foregoing, Company shall not be obligated to accept any increase in Contract Capacity under the rates and terms of the existing Agreement, and, in the Company's sole discretion, may require Seller to enter into a new Power Purchase Agreement.

7. CONTRACT RENEWAL

This Agreement shall be subject to renewal for subsequent term(s) at the option of Company on substantially the same terms and provisions and at a rate either (1) mutually agreed upon by the parties negotiating in good faith and taking into consideration the Company's then avoided cost rates and other relevant factors, or (2) set by the Commission.

8. QUALITY OF ENERGY RECEIVED

- (a) Seller has full responsibility for the routine maintenance of its generating and protective equipment to insure that reliable, utility grade electric energy is being delivered to Company.
- (b) The Facility shall be operated in such a manner as to generate reactive power as may be reasonably necessary to maintain voltage levels and reactive area support as specified by Company. Any operating requirement is subject to modification or revision if warranted by future changes in the distribution or transmission circuit conditions.
- (c) Seller may operate direct current generators in parallel with Company through a synchronous inverter. The inverter installation shall be designed such that a utility system interruption will result in the removal of the inverter infeed into the Company's system. Harmonics generated by a DC generator-inverter combination must not adversely affect Company's supply of electric service to, or the use of electric service by Company's other customers, and any correction thereof is the full responsibility of Seller.
- (d) In the event Company determines, based on calculations, studies, analyses, monitoring, measurement or observation, that the output of the Facility will cause or is causing the Company to be unable to provide proper voltage levels to its customers, Seller shall be required to comply with a voltage schedule and/or reactive power output schedule as prescribed by Company.
- (e) All material modifications to the Facility shall require the prior written consent from Company, and Seller shall provide Company written notification of any requested changes to the Facility, support equipment such as inverters, or interconnection facilities as soon as reasonably possible to allow Company adequate time to review such requested changes to ensure continued safe interconnection prior to implementation.
- (f) Failure of Seller to comply with either (a), (b), (c), (d) or (e) above will constitute grounds for Company to cease parallel operation with Seller's generation equipment and constitute grounds for termination or suspension of the Agreement as set forth under paragraph 1, above.

9. BILLING

- (a) Meters will be read and bills rendered monthly. Readings are taken each month at intervals of approximately thirty (30) days.
- (b) If Company is unable to read its purchase meter for any reason, Seller's production may be estimated by Company on the basis of Seller's production during the most recent preceding billing period for which readings were obtained, unless some unusual condition is known to exist. A bill

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or payment rendered on the basis of such estimate shall be as valid as if made from actual meter readings.

- (c) The term "Month" or "Monthly", as used in Company's Schedules and Riders, refers to the period of time between the regular meter readings by the Company, except that if the period covered by an initial or final bill, or due to rerouting of the meter reading schedule, is more than 34 or less than 28 days, the bill will be prorated based on a 30-day billing month.
- (d) Payments for capacity and/or energy will be made to Seller based on the rate schedule stated in the Purchase Power Agreement.
- (e) Company reserves the right to set off against any amounts due from the Company to Seller, any amounts which are due from Seller to Company, including, but not limited to, unpaid charges pursuant to the Interconnection Agreement or past due balances on any accounts Seller has with Company for other services..

10. RECORDS

In addition to the regular meter readings to be taken monthly for billing purposes, Company may require additional meter readings, records, transfer of information, etc. as may be agreed upon by the Parties. Company reserves the right to provide to the Commission or the FERC or any other regulatory body, upon request, information pertaining to this Agreement, including but not limited to: records of the Facility's generation output and Company's purchases thereof (including copies of monthly statements of power purchases and data from load recorders and telemetering installed at the Facility); copies of this Agreement. The Company will not provide any information developed solely by Seller and designated by Seller in writing to be "proprietary" unless required to do so by order of the Commission or the FERC or any other regulatory body or court, in which event, the Company will notify Seller prior to supplying the proprietary information.

Seller shall provide to Company, on a monthly basis within ten (10) days of the meter reading date and in form to be mutually agreed upon by the Parties, information on the Facility's fuel costs (coal, oil natural gas, supplemental firing, etc.), if any, for the power delivered to Company during the preceding month's billing period.

11. METER STOPPAGE OR ERROR

In the event a meter fails to register accurately within the allowable limits established by the state regulatory body having jurisdiction, Company will adjust the measured energy for the period of time the meter was shown to be in error, and shall, as provided in the rules and regulations of the state regulatory body having jurisdiction, pay to Seller, or Seller shall refund to Company, the difference between the amount billed and the estimated amount which would have been billed had the meter accurately registered the kilowatt hours provided by Seller. No part of any minimum service charge shall be refunded.

12. POINT OF DELIVERY

The point of delivery is the point where Company's conductors are, or are to be, connected to Seller's conductors. Seller shall do all things necessary to bring its conductors to such point of delivery for connection to Company's conductors, and shall maintain said conductors in good order at all times. If Seller chooses to deliver power to Company through a point of delivery where Seller presently receives power from Company, then the point of delivery for the purchase of generation shall be the same point as the point of delivery for electric service.

13. INTERCONNECTION FACILITIES

If Seller is not subject to the terms and conditions of the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections as approved in Docket No.

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2015-362-E, the following conditions shall apply to Interconnection Facilities necessary to deliver Seller's electricity to Company. Otherwise the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections in Docket No. 2015-362-E govern.

- (a) By Company: Company shall install, own, operate, maintain, and otherwise furnish all lines and equipment located on its side of the point of delivery to permit parallel operation of the Seller's facilities with the Company's system. It shall also install and own the necessary metering equipment, and meter transformers, where necessary, for measuring the electricity delivered to Company, though such meter may be located on Seller's side of the point of delivery. Interconnection facilities, installed by either Company or Seller, solely for such purpose, include, but are not limited to connection, line extension, transformation, switching equipment, protective relaying, metering, telemetering, communications, and appropriate safety equipment.

Any interconnection facilities installed by Company necessary to receive power from Seller shall be considered extra facilities and shall be provided, if Company finds it practicable, under the following conditions:

- (1) The facilities will be of a kind and type normally used by or acceptable to Company and will be installed at a place and in a manner satisfactory to Company.
- (2) Seller will pay to Company a Monthly Interconnection Facilities Charge of 1.1 percent of the estimated original installed cost and rearrangement cost of all facilities, including metering, required to accept interconnection, but not less than \$25 per month. The monthly charge for the Interconnection Facilities to be provided under this Agreement is subject to the rates, Service Regulations and conditions of the Company as the same are now on file with the Commission and may be changed or modified from time to time upon approval by the Commission. Any such changes or modifications, including those which may result in increased charges for the Interconnection Facilities to be provided by the Company, shall be made a part of this Agreement to the same effect as if fully set forth herein.
- (3) If Company increases its investment, other than replacement of existing equipment with equipment of equal capacity and kind, in interconnection facilities or other special facilities required by Seller (including conversion of the Company's primary voltage to a higher voltage), the Monthly Interconnection Facilities Charge for providing the interconnection facilities will be adjusted at that time. Seller may terminate the interconnection facilities in accordance with the applicable termination paragraph 1 above, or continue the interconnection facilities under the changed conditions.
- (4) In lieu of the Monthly Interconnection Facilities Charge of 1.1 percent, Seller may elect to make a contribution equal to the total interconnection facilities investment, plus associated tax gross-ups. After such payment, the Monthly Interconnection Facilities Charge for the interconnection facilities will be 0.3 percent of said payment.
- (5) The Monthly Interconnection Facilities Charge as determined shall continue regardless of the term of the Agreement until Seller no longer has need for such facilities. In the event Seller's interconnection facilities should be discontinued or terminated in whole or in part, such discontinuation or termination should be calculated in accordance with 1, above.
- (6) Seller's wiring and appurtenant structures shall provide for the location, connection, and installation of Company's standard metering equipment or other equipment deemed necessary by Company for the metering of Seller's electrical output. Company shall, at its expense, be permitted to install, in Seller's wiring or equipment, any special metering devices or equipment as deemed necessary for experimental or monitoring purposes.

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- (7) Company shall furnish and install the Interconnection Facilities no later than the date requested by Seller for such installation. Seller's obligation to pay the Interconnection Facilities charges shall begin upon the earlier of (1) completion of the installation but no earlier than the requested in-service date specified in the Interconnection Agreement or (2) the date where energy is generated and delivered to the Company and such charges shall apply at all times thereafter during the term of this Agreement, whether or not Seller is actually supplying electric power to Company.
- (b) By Seller: Seller shall install, own, operate, and maintain all lines, and equipment, exclusive of Company's meter and meter transformers, on Seller's side of the point of delivery. Seller will be the owner and have the exclusive control of, and responsibility for, all electricity on Seller's side of the point of delivery. Seller must conform to the South Carolina Generator Interconnection Procedures, Forms and Agreements for State-Jurisdictional Interconnections. Seller's wiring shall be arranged such that all electricity generated for sale can be supplied to one point of delivery and measured by a single meter. Company's meter may be located on Seller's side of the point of delivery, and when it is to be so located, Seller must make suitable provisions in Seller's wiring, at a place suitable to Company, for the convenient installation of the type of meter Company will use. All of Seller's conductors installed on the Company's side of the meter and not installed in conduit must be readily visible.
- Seller shall install and maintain devices adequate to protect Seller's equipment against irregularities on Company's system, including devices to protect against single-phasing. Seller shall also install and maintain such devices as may be necessary to automatically disconnect Seller's generating equipment, which is operated in parallel with Company, when service provided by Seller is affected by electrical disturbances on Company's or Seller's systems, or at any time when Company's system is de-energized from its prime source.
- (c) Access to Premises: The duly authorized agents of Company shall have the right of ingress and egress to the premises of Seller at all reasonable hours for the purpose of reading meters, inspecting Company's wiring and apparatus, changing, exchanging, or repairing Company's property on the premises of Seller, or removing such property at the time of or at any time after suspension of purchases or termination of this Agreement.
- (d) Protection: Seller shall protect Company's wiring and apparatus on Seller's premises and shall permit no one but Company's agents to handle same. In the event of any loss of or damage to such property of Company caused by or arising out of carelessness, neglect, or misuse by Seller or Seller's employees or agents, the cost of making good such loss or repairing such damage shall be paid by Seller. In cases where Company's service facilities on Seller's premises require abnormal maintenance due to Seller's operation, Seller shall reimburse Company for such abnormal maintenance cost.

14. CONTINUANCE OF PURCHASES AND LIABILITY THEREFOR

The Parties do not guarantee continuous service but shall use reasonable diligence at all times to provide for uninterrupted acceptance and supply of electricity. Each Party shall at all times use reasonable diligence to provide satisfactory service for the acceptance or supply of electricity, and to remove the cause or causes in the event of failure, interruption, reduction or suspension of service for the acceptance or supply of electricity, but neither Party shall be liable for any loss or damage resulting from such failure, interruption, reduction or suspension of service, nor shall same be a default hereunder, when any interruption of service for the acceptance or supply of electricity is due to any of the following:

- (a) An emergency condition or action due to an adverse event and/or condition or disturbance on Company's system, or on any other system directly or indirectly interconnected with it, which

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requires automatic or manual interruption of the supply of electricity to some customers or areas or automatic or manual interruption, reduction, or cessation of the acceptance of electricity into Company's electrical system in order to limit the occurrence of or extent or damage of the adverse condition or disturbance to Company's system or capability to reliably provide service in compliance and accordance with prudent practices, regulatory requirements, and/or reliability standards, or to prevent damage to generating or transmission facilities, or to expedite restoration of service, or to effect a reduction in service to compensate for an emergency condition on an interconnected system. An emergency condition or action shall include any circumstance that requires action by the Company to comply with any electric reliability organization or NERC/SERC regulations or standards, including without limitation actions to respond to, prevent, limit, or manage loss or damage to Seller's Facility, reliability impairment, loss or damage to the Company's system, disruption of generation by the Seller, disruption of reliability or service on the Company's system, an abnormal condition on the system, and/or endangerment to human life or safety

- (b) An event or condition of force majeure, as described below.
- (c) Making necessary adjustments to, changes in, or repairs on Company lines, substations, and facilities, and in cases where, in its opinion, the continuance of service from Seller's premises would endanger persons or property.

Seller shall be responsible for promptly taking all actions requested or required by Company to avoid, prevent, or recover from the occurrence and/or imminent occurrence of any emergency condition and in response to any emergency condition or condition of force majeure, including without limitation installing and operating any equipment necessary to take such actions.

Seller shall be responsible for insuring the safe operation of its equipment at all times, and will install and maintain, to Company's satisfaction, the necessary automatic equipment to prevent the back feed of power into, or damage to Company's de-energized system, and shall be subject to immediate disconnection of its equipment from Company's system if Company determines that such equipment is unsafe or adversely affects Company's transmission/distribution system or service to its other customers.

Seller assumes responsibility for and shall indemnify, defend, and save Company harmless against all liability, claims, judgments, losses, costs, and expenses for injury, loss, or damage to persons or property including personal injury or property damage to Seller or Seller's employees on account of defective construction, wiring, or equipment, or improper or careless use of electricity, on Seller's side of the point of delivery.

15. FORCE MAJEURE

Circumstances beyond the reasonable control of a Party which solely cause that Party to experience delay or failure in delivering or receiving electricity or in providing continuous service hereunder, including: acts of God; unusually severe weather conditions; earthquake; strikes or other labor difficulties; war; riots; fire; requirements shall be deemed to be "events or conditions of force majeure". It also includes actions or failures to act on the part of governmental authorities (including the adoption or change in any rule or regulation or environmental constraints lawfully imposed by federal, state or local government bodies), but only if such requirements, actions or failures to act prevent or delay performance; or transportation delays or accidents. Events or conditions of force majeure do not include such circumstances which merely affect the cost of operating the Facility.

Neither Party shall be responsible nor liable for any delay or failure in its performance hereunder due solely to events or conditions of force majeure, provided that:

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- (a) The affected Party gives the other Party written notice describing the particulars of the event or condition of force majeure, such notice to be provided within forty-eight (48) hours of the determination by the affected Party that an event or condition of force majeure has occurred, but in no event later than thirty (30) days from the date of the occurrence of the event or condition of force majeure;
- (b) The delay or failure of performance is of no longer duration and of no greater scope than is required by the event or condition of force majeure, provided that in no event shall such delay or failure of performance extend beyond a period of twelve (12) months;
- (c) The affected Party uses its best efforts to remedy its inability to perform;
- (d) When the affected Party is able to resume performance of its obligations under this Agreement, that Party shall give the other Party prompt written notice to that effect; and,
- (e) The event or condition of force majeure was not caused by or connected with any negligent or intentional acts, errors, or omissions, or failure to comply with any law, rule, regulation, order or ordinance, or any breach or default of this Agreement.

16. INSURANCE

Seller shall obtain and retain, for as long as the generation is interconnected with Company's system, either the applicable home owner's insurance policy with liability coverage of at least \$100,000 per occurrence or the applicable comprehensive general liability insurance policy with liability coverage in the amount of at least \$300,000 per occurrence, which protects Seller from claims for bodily injury and/or property damage. This insurance shall be primary for all purposes. Seller shall provide certificates evidencing this coverage as required by Company. Company reserves the right to refuse to establish, or continue the interconnection of Seller's generation with Company's system, if such insurance is not in effect.

17. GOVERNMENTAL RESTRICTIONS

This Agreement is subject to the jurisdiction of those governmental agencies having control over either party or over this Agreement. This Agreement shall not become effective until all required governmental authorizations are obtained. Certification of receipt of all permits and authorizations shall be furnished by Seller to Company upon Company's request. This Agreement shall not become effective unless it and all provisions thereof are authorized and permitted by such governmental agencies without change or conditions.

This Agreement shall at all times be subject to changes by such governmental agencies, and the parties shall be subject to conditions and obligations, as such governmental agencies may, from time to time, direct in the exercise of their jurisdiction, provided no change may be made in rates or in essential terms and conditions of this contract except by agreement of the parties to this contract. Both parties agree to exert their best efforts to comply with all of the applicable rules and regulations of all governmental agencies having control over either party or this Agreement. The parties shall take all reasonable action necessary to secure all required governmental approval of this Agreement in its entirety and without change.

The delivery date, quantity, and type of electricity to be accepted for purchase by Company, from Seller, are subject to changes, restrictions, curtailments, or complete suspensions by Company as may be deemed by it to be necessary or advisable (a) on account of any lawful order or regulation of any municipal, State, or Federal government or agency thereof, or order of any court of competent jurisdiction, or (b) on account of any emergency due to war, or catastrophe, all without liability on the part of the Company therefor.